

Press Release

RPW Projects Private Limited

June 07, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 900.00 Cr. (Enhanced from Rs.500.00 Cr.)
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 500.00 crore bank facilities and assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 400.00 crore bank facilities of RPW Projects Private Limited. The outlook is '**Stable**'.

RPW Projects Private Limited (RPW), part of the Essel group was incorporated in 1994. The company was promoted by Essel Infraprojects Limited (EIL), the flagship company of the Essel Group. RPW, an EPC contractor company, undertakes projects for the Essel group. It is led by Directors, Mr. Prakash Salikram Shukla, Mr. Pranay Kumar and Mr. Akshay Kirtikar.

Key Rating Drivers

Strengths

- **Experienced promoter group and established market position**

The Essel group has over two decades of experience in the infrastructure business through EIL. The group also has its presence in solar, wind, hydro power, water distribution, Municipal solid waste (MSW) management and road projects through EIL. RPW functions as the EPC aggregator for EIL's solar and power transmission projects. As per the arrangement, the SPVs of EIL will bid for projects which will be subcontracted either entirely or in part to RPW which in turn will subcontract to third parties. Thus, RPW will continue to play a pivotal role in Essel group's infrastructure initiatives.

- **Healthy order book position**

For FY2017-18 (Provisional), RPW reported operating income of Rs. 303.71 crore as against Rs. 43.52 crore in FY2016-17. The company has healthy order book of Rs. 5986.58 crore for solar power and power transmission projects, to be executed by 2022. While, the order book is from group companies, the ultimate counterparties include Solar Energy Corporation of India, Rural Electrification Corporation Limited and PFC Consulting Limited. The strong order book position provides revenue visibility for the medium term.

- **Ongoing support from group companies**

Presently, EIL holds 99.90 per cent stake in RPW. Apart from equity capital, the promoters and other group/related companies have supported RPW by way of debentures and unsecured loans from time to time. The promoters have also supported the borrowings of RPW through corporate guarantees and pledge of shares. The credit facilities of RPW are secured by corporate guarantee and pledge of shares of key companies of the Essel group. The backing of the group has significantly enhanced the resource raising ability of RPW and strengthened its credit profile. RPW is expected to get continuous operational as well as financial support from EIL. Acuite believes that the Essel group will continue to support RPW, as the infrastructure sector is one of the key thrust areas for the group.

Weaknesses

• Susceptibility of operating performance to timely receipt and execution of orders

The solar and power transmission segments are focus areas for the government. This can attract significant investment in the sector making the company exposed to significant competitive pressure from several other players, due to which profitability may come under pressure. The timely execution of projects also depends on extraneous factors such as receipt of approvals from the government, availability of funding and other resources for projects. Additionally, delays in realisation of receivables from counterparties can also prove to be challenging and impact operating cash flows of EPC contractors. Acuite believes that RPW will be able to mitigate most of these risks by virtue of its established position. However, company's credit profile remains vulnerable to events like slowdown in receipt of orders or delinquencies in respect of the major receivables.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of RPW Projects Private Limited along with the ongoing financial and business support of Essel group.

Outlook: Stable

Acuite believes that RPW will continue to benefit over the medium term on account of its established track record of promoters. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability while maintaining its financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or deterioration in the financial risk profile. This could be owing to higher than expected working capital requirements or lack of funding support from group companies.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.52	27.73	10.27
EBITDA	Rs. Cr.	7.95	0.29	4.42
PAT	Rs. Cr.	(0.63)	(1.46)	3.03
EBITDA Margin	(%)	18.28	1.03	42.99
PAT Margin	(%)	(1.45)	(5.26)	29.46
ROCE	(%)	2.73	0.11	3.91
Total Debt/Tangible Net Worth	Times	114.41	35.95	27.93
PBDIT/Interest	Times	0.96	0.16	1.01
Total Debt/PBDIT	Times	54.16	945.72	49.94
Gross Current Assets (Days)	Days	6,761	3,532	8,651

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
30-Jun-17	Term Loan	Long Term	500.00	ACUITE BBB-/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	500.00	ACUITE BBB-/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	400.00	ACUITE BBB-/Stable (Assigned)

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About Acuite Ratings & Research:

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