

Press Release

Ridhi Enterprises

July 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 12.00 crore bank facilities of Ridhi Enterprises. The outlook is '**Stable**'.

Ridhi Enterprises was established in 1997 as a proprietorship firm but later changed its constitution to partnership firm in 2015. It is promoted by Mr. Haresh Kumar Shah and Mr. Bhumit Haresh Shah. Ridhi Enterprises is a registered Class A - Category I contractor with Municipal Corporation of Greater Mumbai (MCGM) and can bid upto Rs. 25.00 crore. Ridhi Enterprises executes civil contracts such as storm water drain, sewerage operations, school and government building repairs.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Ridhi Enterprises is engaged in undertaking civil construction contracts for more than two decades. Further, the partners of the firm collectively possess more than two decades of experience in the civil construction industry.

- **Above average financial risk profile**

The financial risk profile is above average marked by tangible net worth of Rs.16.46 crore as on 31 March, 2017 as against Rs.15.32 crore in the previous year. The net worth includes interest bearing unsecured loan of Rs.11.77 crore as the same is subordinated to bank debt. The interest coverage ratio (ICR) stood at 1.48 times for FY2017 as against 1.43 times in FY2016. The total liabilities to tangible net worth (TOL/TNW) stood at 0.27 times as on 31 March, 2017 as against 0.14 times in the previous year. The Debt Service Coverage Ratio (DSCR) stood at 1.48 times for FY2017. The net cash accruals to total debt (NCA/TD) stood at 4.16 times in FY2017 compared to 1.36 times in FY2016. Going forward, Acuite expects the firm to maintain its financial risk profile in the absence of major debt funded capex plan.

Weaknesses

- **Uneven revenue trend due to tender based operations**

Ridhi Enterprises registered operating income of Rs.10.93 crore for FY2017 as against Rs.7.05 crore for FY2016 and Rs.16.16 crore as on FY2015. The firm exhibits uneven trend in its operating income. Besides, the tender-based business makes it vulnerable to order cyclicity. The firm has reported operating income of Rs.24.78 crore for FY2018 (Provisional). Ridhi Enterprises has unexecuted order book position of Rs.48.12 crore to be executed by December, 2019 providing moderate revenue visibility over the medium term.

- **Profitability susceptible to fluctuations in input cost**

The input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature. Hence, any adverse movement in input costs can impact profitability. However, the firm reported EBITDA margin of 14.67 percent for FY2017 as against 15.42 percent in the previous year.

• **High dependence on government orders, however mitigated by established relations and efficient liaisoning with government authorities**

Ridhi Enterprises does civil construction work for MCGM which indicates that the firm's revenues are highly dependent on number and value of tenders floated by the Government. Moreover, any further delays in the project execution of current projects along with the delayed receipt from government and site related issues are likely to result in higher working capital requirements. However, this risk is mitigated as Ridhi Enterprises has established relations with State Government departments which resulted in timely realisations and winning of tenders at regular intervals.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Ridhi Enterprises to arrive at this rating.

Outlook: Stable

Acuite believes that the outlook on Ridhi Enterprises rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals, deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	10.93	7.05	16.16
EBITDA	Rs. Cr.	1.60	1.09	1.18
PAT	Rs. Cr.	0.70	0.52	0.94
EBITDA Margin	(%)	14.67	15.42	7.31
PAT Margin	(%)	6.38	7.41	5.80
ROCE	(%)	14.05	12.80	31.26
Total Debt/Tangible Net Worth	Times	0.01	0.03	0.00
PBDIT/Interest	Times	1.48	1.43	1.88
Total Debt/PBDIT	Times	0.08	0.22	0.00
Gross Current Assets (Days)	Days	592	772	366

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+

Contacts

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About Acuité Ratings & Research:

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