

Press Release

RDS Project Limited

December 02, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 585.00 Cr.
Long Term Rating	ACUITE BBB+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A2 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and short-term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 585.00 crore bank facilities of RDS Project Limited. The outlook is '**Stable**'.

Delhi-based, RDS Project Limited (RDSPL) was incorporated in 1992 by Mr. Madan Lal Goyal. RPL is engaged in undertaking infrastructure and civil construction activities of Industrial Buildings, Roads and Highways, Dams, Bridges, Marine works (mainly Break Waters, Jetties, Groynes, Piling), Housing Complexes as well as in Real Estate Business. RPL majorly undertakes projects with National Highways Authority of India, Central Public Work Department, Kerala Public Work Department, Other States Public Work Departments, Southern Railways and Andaman & Nicobar Administration. The company has its presence in Chennai, Kochi, Trivandrum, Port Blair and Mizoram.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RDSPL to arrive at this rating.

Key Rating Drivers

Strengths

• **Established track record of operations and reputed clientele**

RDSPL is a Delhi based public limited company which is engaged in infrastructure development for almost three decades with its major operations spread in Chennai, Kochi, Trivandrum, Port Blair and Mizoram. The company is being promoted by Mr. Madan Lal Goyal and Mr. Sumit Goyal. Founders of the company, Mr. Madan Lal Goyal, have a vast experience of over five decades in the aforementioned industry. The management is ably supported by a well-qualified and experienced team of professionals. The extensive experience of the promoters in the industry has helped the company build its market presence. The company caters to reputed clientele which includes National Highways Authority of India, Central Public Work Department, Kerala Public Work Department, Other States Public Work Departments, Southern Railways to name a few. Acuité believes the company will benefit from its experienced management and healthy relations with suppliers.

• **Healthy financial risk profile**

RDSPL's financial risk profile is healthy, marked by a healthy net worth, low gearing and healthy debt protection metrics. The company's net worth has subsequently improved to Rs.180.63 crore as on March 31, 2019 as against Rs.164.18 crore as on March 31, 2018 on account of healthy accretion to reserves during the same period. The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing level. The gearing level (debt-equity) improved to 0.68 times as on March 31, 2019 from 0.71 times as on March 31, 2018. The gearing of the company is expected to remain low over the medium term on account of absence of any major debt funded capex plans and moderate accretion to reserves. The total debt of Rs.122.81 crore as on March 31, 2019 consists of long-term debt of Rs.31.07 crore and working capital borrowings of Rs.91.74 crore. The interest coverage (ICR) ratio stood moderate at around 2.20 times to 2.80 times over the last three years. Debt to EBITDA stood at 1.90 times in FY2019 as against 1.71 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.25 times in FY2019

and 0.29 times in FY2018. Acuité believes that the financial risk profile of the company is expected to remain healthy backed by above average net cash accruals and in absence of any major debt funded capex in near to medium term.

- **Healthy order book position**

RDSPL registered an operating income of Rs.415.75 crore in FY2019 as against Rs.458.76 crore in FY2018. The company has reported revenue of Rs.134.70 crore for April – September, 2019 (Provisional) as against Rs.127.52 crore for the same period last year. Moreover, the company has an unexecuted order book position of ~Rs.1044 crore as on 31st march 2019, thereby giving healthy revenue visibility in medium term. The orders are spread across states and cities such as Chennai, Kochi, Trivandrum, Port Blair and Mizoram.

Weaknesses

- **Working Capital Intensive Operations**

The company's operations are working capital intensive marked by high Gross Current Asset (GCA) of 303 days in FY2019 as compared to 245 days in FY2018. The GCA days are mainly dominated by high inventory holding of 166 days in FY2019 compared to 123 days in FY2018 which mainly consist of work in progress. The collection period stood comfortable at 16 days in FY2019 compared to 27 days in FY2018. The average cash credit utilization for the past six months stood at ~85 percent. Acuité believes that efficient working capital management will be a key rating sensitivity.

- **Competitive and fragmented industry**

RDSPL is engaged as an EPC contractor. The company faces intense competition from the presence of several mid to large sized players in the said industry. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclical in the road sector. The recent relaxation of qualification norms by the Central Government for undertaking road projects is further expected to intensify the competitive scenario in the industry. However, in face of such competitive pressures, Acuité believes that RDSPL is well positioned on account of its longstanding relationship with the government authorities in the infrastructure industry and the long track-record and experience of its promoters spanning nearing three decades.

Rating Sensitivity Factor

- Significant deterioration in working capital
- Significant deterioration in revenues or profitability margin leading to deterioration in financial risk profile

Material Covenants

None

Liquidity position: Strong

Company has Strong liquidity marked by moderate net cash accruals to its maturing debt obligations. RDSPL generated cash accruals of Rs.30.97 crore in FY2019 as against of debt maturity obligation of Rs.7.70 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.33.90 crore to Rs.40.26 crore during FY2020-22 against as against maturing debt of Rs.7.50 crore for each year in FY2020-FY2022. The company's working capital operations are intensive marked by gross current asset (GCA) days of 303 days in FY2019 as against 245 for FY2018. Company maintains unencumbered cash and bank balances of Rs.30.44 crore as on 31 March 2019. The current ratio stands at 1.70 times as on 31 March 2019. The liquidity position of the company remains moderate with average consolidated cash credit limit utilization at around ~85 percent for the last six months ended 31st October, 2019.

Outlook: Stable

Acuité believes that RDSPL will continue to benefit over the medium term due to its experienced management, healthy revenue visibility and comfortable debt protection metrics. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues while maintaining its working capital. Conversely, the outlook may be revised to 'Negative', in case the company registers lower-than expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected elongation in working capital leading to deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	415.75	458.76	445.64
EBITDA	Rs. Cr.	63.14	65.60	56.09
PAT	Rs. Cr.	16.46	19.50	11.97
EBITDA Margin	(%)	15.19	14.30	12.59
PAT Margin	(%)	3.96	4.25	2.69
ROCE	(%)	17.11	19.63	16.71
Total Debt/Tangible Net Worth	Times	0.68	0.71	0.82
PBDIT/Interest	Times	2.53	2.79	2.28
Total Debt/PBDIT	Times	1.90	1.71	2.07
Gross Current Assets (Days)	Days	303	245	220

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-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
05-September-2018	Cash Credit	Long term	35.00	ACUITE BBB+/ Stable (Assigned)
	Cash Credit	Long term	4.00	ACUITE BBB+/ Stable (Assigned)
	Cash Credit	Long term	33.00	ACUITE BBB+/ Stable (Assigned)
	Cash Credit	Long term	1.50	ACUITE BBB+/ Stable (Assigned)
	Cash Credit	Long term	6.50	ACUITE BBB+/ Stable (Assigned)
	Cash Credit	Long term	17.50	ACUITE BBB+/ Stable (Assigned)
	Term Loans	Long term	1.00	ACUITE BBB+/ Stable (Assigned)
	Term Loans	Long term	9.00	ACUITE BBB+/ Stable (Assigned)
	Term Loans	Long term	2.29	ACUITE BBB+/ Stable (Assigned)

				Stable (Assigned)
Term Loans	Long term	0.16	ACUITE BBB+/ Stable (Assigned)	
Term Loans	Long term	2.00	ACUITE BBB+/ Stable (Assigned)	
Term Loans	Long term	5.00	ACUITE BBB+/ Stable (Assigned)	
Term Loans	Long term	2.00	ACUITE BBB+/ Stable (Assigned)	
Term Loans	Long term	2.00	ACUITE BBB+/ Stable (Assigned)	
Bills discounting	Short term	5.00	ACUITE A2 (Assigned)	
Bank Guarantee/Letter of Credit	Short term	50.00	ACUITE A2 (Assigned)	
Bank Guarantee/Letter of Credit	Short term	19.00	ACUITE A2 (Assigned)	
Letter of Credit	Short term	24.00	ACUITE A2 (Assigned)	
Bank Guarantee/Letter of Credit	Short term	301.00	ACUITE A2 (Assigned)	
Bank Guarantee/Letter of Credit	Short term	33.00	ACUITE A2 (Assigned)	
Bank Guarantee/Letter of Credit	Short term	26.00	ACUITE A2 (Assigned)	
Proposed bank facility	Long term	6.05	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB+/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB+/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE BBB+/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB+/ Stable (Reaffirmed)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BBB+/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE BBB+/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB+/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB+/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.29	ACUITE BBB+/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.16	ACUITE BBB+/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+/ Stable (Reaffirmed)
Bills discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2 (Reaffirmed)
Bank Guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2 (Reaffirmed)
Bank Guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A2 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A2 (Reaffirmed)
Bank Guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	301.00	ACUITE A2 (Reaffirmed)
Bank Guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A2 (Reaffirmed)
Bank Guarantee/Letter of Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE A2 (Reaffirmed)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	6.05	ACUITE BBB+/ Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
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<p>Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>
<p>Aditya Singh Ratings Analyst - Rating Operations Tel: 011-49731303 aditya.singh@acuite.in</p>	

About Acuité Ratings & Research:

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