

## Press Release

RDS Project Limited

May 31, 2022

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	127.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	458.00	-	ACUITE A2   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	585.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 585.00 Crore bank facilities of RDS Project Limited (RDSPL). The outlook has been revised to '**Negative**' from '**Stable**'.

### Rationale for rating reaffirmation and change in outlook:

The rating has been reaffirmed on account of improvement in operating performance of RDSPL in FY2022(Prov.) and strong orderbook of Rs.2284.62 Cr as of May,2022. However, the stretched liquidity position of RDSPL as reflected in its continuous high utilisation of bank limits and elongated working capital cycle provide a negative bias to the rating.

### About the Company

Delhi-based, RDSPL was incorporated in 1992 by Mr. Madan Lal Goyal. RDSPL 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) as well as Housing Complexes. 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, Mizoram, Hasimara, Bareilly, Nal, Raigarh and Colaba.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

> Established track record of operation and experience management:

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, has a vast experience of over five decades in the aforementioned industry. The management is 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 stood at Rs. 213.45 crore as on March 31, 2022 (Prov.) as against Rs.199.94 crore as on March 31, 2021 and Rs.191.06 crore as on March 31, 2020. The improvement is on account of accretion of profits to reserves. The Company's total debt stood at Rs.117.95 Cr as on March 31, 2022 (Prov.) as against Rs.127.98 crore as on March 31, 2021 and Rs.95.92 crore as on March 31, 2020. The overall gearing stood at 0.55 times as on March 31, 2022 (Prov) as against 0.64 times as on March 31, 2021 and Rs.0.50 times as on March 31, 2020. The total outside liabilities to tangible net worth ratio stood at around 1.18 times as on March 31, 2022 (Prov) as against 1.42 times as on March 31, 2021 and 1.45 times as on March 31, 2020. On account of increase in debt in FY2021, slight moderation was registered in overall debt protection metrics in FY2021 as the interest coverage ratio (ICR) of the company stood at 2.08 times for the year as against 2.37 times for FY2020. As per FY22 Prov., the ICR improved to 2.28 times. The debt service coverage ratio (DSCR) stood at 1.51 times for FY2022 (Prov.) as against 1.60 times for FY2021 and 1.59 times for FY2020. The net cash accruals to total debt stood at 0.25 times as on March 31, 2022 (Prov.) as against 0.19 times as on March 31, 2021 and 0.27 as on March 31, 2020.

Acuité believes that the financial risk profile of the company is expected to remain healthy backed by moderate 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.458.10 Cr in FY2022 (Prov.) as against Rs.306 Cr in FY2021 and Rs. 320.27 Cr in FY2020. The decline in revenue in FY2021 was mainly due to slow execution of orders caused by COVID-19 pandemic followed by nationwide lockdown. As on May, 2022 RDSPL has an unexecuted orderbook of Rs. 2284.62 Cr, which gives healthy revenue visibility over the medium term. The orders are spread across states and cities such as Chennai, Kochi, Trivandrum, Port Blair and Mizoram.

### **Weaknesses**

#### **> Intensive working capital nature of operations**

The company's working capital requirement are intensive in nature, as reflected by its Gross Current Assets (GCA) of 424 days as on March 31, 2021 as against 386 days as on March 31, 2020. The same moderated to 258 days as on March 31, 2022 (Provisional). The elongation was driven by high inventory days. The company's inventory days stood at 295 days as on March 31, 2021 as against 258 days as on March 31, 2020. The debtor days stood at 5 days as on March 31, 2021 as against 4 days as on March 31, 2020. The company raises bills on its customers only when the bills are expected to be realised within a few days. Hence, the debtor days are significantly lower. The inventory days and debtor days stood at 151 days and 6 days respectively as on March 31, 2022 (Provisional). The company's creditor days stood at 38 days as on March 31, 2022 (Prov.) as against 104 days as on March 31, 2021 and 115 days as on March 31, 2020. The fund based working capital limits remain mostly fully utilised for last 6 months ending April, 2022.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term.

### > 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 cyclicalities in the road sector.

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 Sensitivities

> Maintenance of profitability margins and capital structure, while improving the scale of operations.

> Elongation of working capital cycle

> Further deterioration in liquidity position

### Material covenants

None

### Liquidity Position: Stretched

RDSPL has a stretched liquidity position marked by high GCA days and continuous high utilisation of fund based working capital limits. The fund based working capital limits remained mostly fully utilised for the trailing 6 month period until April, 2022. The gross current assets days driven by high inventory days stood at 428 days as on March 31, 2021. The same stood at 258 days as on March 31, 2022 (Provisional). The company generated net cash accruals (NCA) in the range of Rs.24-29 Cr in FY21-FY22 (Prov) vis-à-vis its maturing debt obligations of Rs. 5-10 Cr for the same period. The Company is expected to generate net cash accruals in the range of Rs.25-28 Cr against maturing debt obligations of Rs.9-11 Cr. The company maintained unencumbered cash and bank balances of Rs.21.25 crore as on March 31, 2022 (Prov.) The current ratio of the company stood at 1.94 times as on March 31, 2022 (Prov.).

### Outlook: Negative

Acuité believes that RDSPL will maintain a 'Negative' outlook over the medium term on account of stretched liquidity position and working capital intensive nature of operations. The rating may be downgraded in case of further elongation in the working capital cycle or further deterioration in liquidity position of RDSPL. Conversely, the outlook may be revised to 'Stable' in case of improvement in liquidity position, significant and sustainable reduction in working capital cycle and improvement in profitability margins.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	306.00	320.27
PAT	Rs. Cr.	9.56	10.43
PAT Margin	(%)	3.12	3.26
Total Debt/Tangible Net Worth	Times	0.64	0.50
PBDIT/Interest	Times	2.08	2.37

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

Crisil Ratings vide its Press Release dated May 24, 2019 has withdrawn and denoted the rating of RDS Projects Limited as 'CRISIL BB+/Stable/A4+, Issue Not Cooperating'.

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Mar 2021	Term Loan	Long Term	2.00	ACUITE BBB+ (Withdrawn)
	Term Loan	Long Term	3.86	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	19.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	0.16	ACUITE BBB+ (Withdrawn)
	Bank Guarantee	Short Term	301.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	5.98	ACUITE BBB+   Stable (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	0.77	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	26.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	24.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	2.01	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB+ (Withdrawn)
	Cash Credit	Long Term	6.50	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	33.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	33.00	ACUITE BBB+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	20.38	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB+   Stable (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A2 (Reaffirmed)

		Cash Credit	Long Term	17.50	ACUITE BBB+   Stable (Reaffirmed)
		Bank Guarantee	Short Term	19.00	ACUITE A2 (Reaffirmed)
		Cash Credit	Long Term	33.00	ACUITE BBB+   Stable (Reaffirmed)
02 Dec 2019		Proposed Bank Facility	Long Term	6.05	ACUITE BBB+   Stable (Reaffirmed)
		Cash Credit	Long Term	35.00	ACUITE BBB+   Stable (Reaffirmed)
		Term Loan	Long Term	9.00	ACUITE BBB+   Stable (Reaffirmed)
		Bank Guarantee	Short Term	33.00	ACUITE A2 (Reaffirmed)
		Cash Credit	Long Term	6.50	ACUITE BBB+   Stable (Reaffirmed)
		Term Loan	Long Term	1.00	ACUITE BBB+   Stable (Reaffirmed)
		Letter of Credit	Short Term	24.00	ACUITE A2 (Reaffirmed)
		Term Loan	Long Term	2.00	ACUITE BBB+   Stable (Reaffirmed)
		Term Loan	Long Term	0.16	ACUITE BBB+   Stable (Reaffirmed)
		Cash Credit	Long Term	1.50	ACUITE BBB+   Stable (Reaffirmed)
		Term Loan	Long Term	2.00	ACUITE BBB+   Stable (Reaffirmed)
		Bank Guarantee	Short Term	301.00	ACUITE A2 (Reaffirmed)
		Cash Credit	Long Term	4.00	ACUITE BBB+   Stable (Reaffirmed)
		Bank Guarantee	Short Term	26.00	ACUITE A2 (Reaffirmed)
		Term Loan	Long Term	5.00	ACUITE BBB+   Stable (Reaffirmed)
		Term Loan	Long Term	2.00	ACUITE BBB+   Stable (Reaffirmed)
		Term Loan	Long Term	2.29	ACUITE BBB+   Stable (Reaffirmed)
		Bank Guarantee	Short Term	50.00	ACUITE A2 (Reaffirmed)
		Term Loan	Long Term	2.29	ACUITE BBB+   Stable (Assigned)
		Bank Guarantee	Short Term	50.00	ACUITE A2 (Assigned)
		Cash Credit	Long Term	6.50	ACUITE BBB+   Stable (Assigned)
		Proposed Bank Facility	Long Term	6.05	ACUITE BBB+   Stable (Assigned)
		Term Loan	Long Term	9.00	ACUITE BBB+   Stable (Assigned)
		Bank Guarantee	Short Term	26.00	ACUITE A2 (Assigned)
		Cash Credit	Long Term	4.00	ACUITE BBB+   Stable (Assigned)

05 Sep 2018	Letter of Credit	Short Term	24.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	33.00	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB+   Stable (Assigned)
	Bank Guarantee	Short Term	33.00	ACUITE A2 (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	0.16	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	17.50	ACUITE BBB+   Stable (Assigned)
	Bank Guarantee	Short Term	19.00	ACUITE A2 (Assigned)
	Term Loan	Long Term	2.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB+   Stable (Assigned)
	Bills Discounting	Short Term	5.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	301.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BBB+   Stable (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	301.00	ACUITE A2   Reaffirmed
Federal Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A2   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE A2   Reaffirmed
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2   Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A2   Reaffirmed
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
							ACUITE BBB+

Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	Negative   Reaffirmed   Stable to Negative
South Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A2   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	20.38	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Sundaram Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.77	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	5.98	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	2.01	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative



Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.86	ACUITE BBB+   Negative   Reaffirmed   Stable to Negative
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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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