



**Press Release**  
**RDS Project Limited**  
**August 04, 2023**  
**Rating Reaffirmed**

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

**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 '**Stable**' from '**Negative**'.

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

The rating has been reaffirmed on account of improvement in operating performance of RDSPL in FY2023(Prov.) alongwith slight improvement in financial risk profile. Further the company has strong orderbook of Rs.2842 as of May,2023 giving revenue visibility for medium term. The outlook of the company is being changed from negative to stable on account of improvement in liquidity position of RDSPL as reflected in utilisation of bank limits which came down to an average utilisation of 89% in past 8 month through May23 further the working capital cycle of the company improved with GCA days improving from 424 days in FY21 to 171 days in FY23 (Prov) further the company maintained average free cash and bank of Rs. 10.92 Cr. in past 8 months alongwith FD of Rs. 26.65 Cr. lien marked for margin and security deposits.

**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 experienced 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. Acuite believes the company will benefit from its experienced management and healthy relations with suppliers.

### **Healthy financial risk profile**

The company has healthy financial risk profile marked by healthy net worth, low gearing and comfortable debt protection metrics. The net worth stood at Rs.240.11 crore as on March 31, 2023 (Prov.), as against Rs. 216.29 crore as on March 31, 2022. The increase is on account of accretion of profits to reserves. The Firm's total debt of Rs.103.54 crore as on March 31, 2023 (Prov.) (as against Rs. 113.37 crore as on March 31, 2022) includes term loan of Rs. 26.70 crore, CPLTD of Rs. 17.81 crore and working capital loans of Rs. 59.02 crore. The company's overall gearing stood low at 0.43 times in FY23 (Prov.) as against 0.52 times in FY22. The total outside liabilities to tangible net worth ratio stood at around 1.10 times in FY23 (Prov.) as against 1.06 times in FY22. On account of decrease in debt and better EBITDA, slight improvement is registered in overall debt protection metrics as the interest coverage ratio (ICR) of the firm stood at 2.78 times in FY23 (Prov.) as against 2.59 times in FY22. The debt service coverage ratio (DSCR) stood at 1.55 times for FY23 (Prov.) as against 1.60 times in FY22. The net cash accruals to total debt stood at 0.34 times in FY23 (Prov.) as against 0.26 in FY22.

### **Improved Revenue and Net Profitability with healthy order book position**

The revenue improved to Rs. 658.65 crore in FY23 (Prov.) as against Rs 476.59 crore in FY2022. The company has overachieved our projection by 58%. The growth in revenue is on account of better work execution by the company due to proper availability of labour which was a major challenge in FY21 due to COVID 19. The revenue of the company is expected to be ~ Rs. 750 Cr. in FY24 on the back of healthy order book of Rs. 2842.82 Cr. i.e. 4.31 times of the current turnover.

The company's revenue though saw a substantial increase the EBITDA margin of the company has seen incessant decline in past three years through FY23 (Prov.) and stood at 10.19% as compared to 11.86% in FY22 and 16.76% in FY21. Albeit decline in EBITDA margin the PAT margin of the company has shown constant improvement during the same period and stood at 3.62% in FY23 (Prov.) as compared to 3.43% in FY22 and 3.12% in FY21 on account of decline in depreciation charges and the interest expenses remaining in and around Rs. 25 Cr. Acuite believes that the company's turnover and net profit will continue its growth on the back of healthy order book position and efficient cost management.

### **Weaknesses**

#### **Improved though intensive working capital nature of operations**

The Firm's' working capital requirement though improved substantially in past three years it still remains intensive in nature, as reflected by its Gross Current Assets (GCA) of 171 days in FY23 (Prov.) as compared to 205 days in FY22 and 424 days in FY21. The improvement is driven by improved inventory days. The company's inventory days stood at 130 days in FY23 (Prov.) as compared to 155 days in FY22 and 295 days in FY21. The company raises bills only on the approved funds from the Government (debtors). Hence, the debtor days are significantly lower. The Firm's creditor days stood at 54 days in FY23 (Prov.) as compared to 56 days in FY22 and 104 days in FY21. The fund based working capital limits remain utilized at 89.22 percent for last 8 months ending May, 2023. There have been a few instances of overdrawing i.e. in the month of October and November 2022 ends due to interest charged in CC account of SBI but it is cleared by the company in a days time (less than 30 days). The company maintains credit balance in its current account the average balance in past 8 Month ending May 23 is Rs. 10.92 Cr. Acuite believes that the working capital requirements will improve however will still remain intensive over the medium term given the nature of business operations.

#### **Competitive and fragmented industry with tender based operations**

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 cyclicity in the road sector. However, in face of such competitive

pressures, Acuité believes that RDSPL is well positioned on account of strong orderbook, 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**

- Continuous and higher than expected increase in revenue and profitability position of the company
- Substantial improvement in liquidity position on account of better working capital management
- Improvement in financial risk profile of the company

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The company generated Net Cash Accruals (NCA) of Rs. 35.19 Cr in FY2023 (Prov.) vis-à-vis its maturing debt obligations of Rs. 13.90 Cr. for the same period indicating adequate NCA vis-à-vis its maturing debt obligations. The net cash accruals of the company are expected to remain in the range of Rs. 41-46 Cr. for the FY2024-25 period against debt repayment obligations of ~ Rs. 13.90 Cr. & 17.81 Cr during the same period. The average utilisation of fund based working capital limits remained at approx. 89 percent for the trailing 8-month period until May 2023. The company maintained unencumbered cash and bank balances of Rs. 13.30 crore as on March 31, 2023 the margin money or security deposit for BG of Rs. 26.65 Cr. The current ratio of the company stood at 1.50 times as on March 31, 2023 (Prov.) as against 1.56 times in the previous year.

### **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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	658.65	476.59
PAT	Rs. Cr.	23.82	16.36
PAT Margin	(%)	3.62	3.43
Total Debt/Tangible Net Worth	Times	0.43	0.52
PBDIT/Interest	Times	2.78	2.59

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

None

### Any other information

None

### Applicable Criteria

- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 May 2022	Term Loan	Long Term	3.86	ACUITE BBB+   Negative (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	19.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB+   Negative (Reaffirmed)
	Letter of Credit	Short Term	24.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	301.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB+   Negative (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BBB+   Negative (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	2.01	ACUITE BBB+   Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	20.38	ACUITE BBB+   Negative (Reaffirmed)
	Cash Credit	Long Term	33.00	ACUITE BBB+   Negative (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB+   Negative (Reaffirmed)
	Bank Guarantee	Short Term	33.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	26.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB+   Negative (Reaffirmed)
	Term Loan	Long Term	0.77	ACUITE BBB+   Negative (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB+   Negative (Reaffirmed)
	Term Loan	Long Term	5.98	ACUITE BBB+   Negative (Reaffirmed)
	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)
		Long		ACUITE BBB+   Stable

01 Mar 2021	Term Loan	Term	5.98	(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)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A2   Reaffirmed
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2   Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	301.00	ACUITE A2   Reaffirmed
Federal Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE A2   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE A2   Reaffirmed
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A2   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.50	ACUITE BBB+   Stable   Reaffirmed   Negative



								to Stable
South Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A2   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	22.39	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
Sundaram Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.77	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.98	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.86	ACUITE BBB+   Stable   Reaffirmed   Negative to Stable

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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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