

Press Release

Enrich RD Infraprojects Private Limited

August 1, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 15.00 crore bank facilities of ENRICH RD INFRAPROJECTS PRIVATE LIMITED (ERDI). The outlook is '**Stable**'.

Enrich RD Infraprojects Private Limited (ERDI) was initially established as a proprietorship firm - R D Electricals by Mr. Dashrath Redekar in 1984 and converted to a private limited company in 2007. The operations of the company are collectively managed by the Directors of the company - Mr. Sunil Agrawal and Mr. Deepak Redekar. ERDI is engaged in executing turnkey projects involving designing, supply, erection, testing and commissioning of the overhead electrification for railways. The company is an electrical contractor and primarily participates in tenders floated by the railways, which are awarded to the lowest bidder i.e. based on L1 pricing. The major clients of company include Central Railway, Western Railway, Southern Railway and Northern Railway.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ERDI Limited to arrive at the rating.

Key Rating Drivers

Strengths

- Established presence and Experienced management**

Established in 1984, ERDI has long track record of operations along with experienced management of Mr. Sunil Agrawal and Mr. Deepak Redekar will help the company to sustain its existing business profile and undertake new projects in near to medium term.

Acuite believes that ERDI will continue to benefit from the promoters' established presence in the business in procuring tenders and improving its business risk profile over the medium term.

- Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs. 10.54 crore as on 31 March, 2019 (provisional) as against Rs. 8.35 crore as on 31 March, 2018. The net worth includes interest bearing unsecured loan from Directors of Rs. 5.82 crore as same is subordinated to bank debt. The gearing (debt-equity) stood low at 0.98 times as on 31 March, 2019 (provisional) as compared to 0.82 times as on 31 March, 2018. The total debt of Rs. 10.30 crore includes Rs. 4.93 crore of long term debt, and Rs. 5.37 crore of short term debt. Interest Coverage Ratio stood moderate at 1.51 times for FY 2019 (provisional) as against 2.10 times for FY 2018. Debt Service Coverage Ratio (DSCR) also saw a decline at 1.49 times in FY 2019 (provisional) as compared to 1.86 times in FY 2018. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.49 times as on 31 March, 2019 (provisional) as against 1.52 times as on 31 March, 2018. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.14 times for FY 2019 (provisional).

Acuite believes that the company will be able to maintain its financial risk profile in absence of any major debt funded capex plan.

Weaknesses

• Working capital intensive nature of operations

The working capital operations are intensive as marked by Gross Current Assets (GCA) of 352 days in FY 2019 (provisional) as against 182 days in FY 2018. The high GCA days is marked by inventory of 139 days and debtors of 100 days for FY 2019 (provisional) as against 95 days of inventory and 14 days of debtors for FY 2018. The average cash credit utilisation for last six months ended June 2019 stood at 60.77 percent.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Uneven revenue trend

The revenue of the company has been uneven over the years through 2017-19 due to tender based nature of the business and also due to reduction and subsequent discontinuation of trading activity by the company. The operating income stood at Rs. 25.72 crore for FY2019 as against Rs.34.06 crore for FY2018 and Rs. 30.90 crore for FY2017. Further, the company also faces stiff competition in this industry from many organised as well as unorganised players.

Liquidity position:

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.48-1.44 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.0.05-0.83 crore over the same period. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 352 in FY 2019. This has led to moderate reliance on working capital borrowings, the cash credit limit of the company remains utilised at 60.77 percent during the last 6 months period ended June 2019. The company maintains unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2019. The current ratio of the company stood healthy at 2.20 times as on March 31, 2019. The company is not likely to incur any capex over the medium term. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that ERDI will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and established track record. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins, or further elongation in working capital cycle leading to deterioration in the liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	25.72	34.06	30.90
EBITDA	Rs. Cr.	4.01	2.11	1.60
PAT	Rs. Cr.	1.36	1.19	0.45
EBITDA Margin	(%)	15.59	6.20	5.19
PAT Margin	(%)	5.29	3.49	1.46
ROCE	(%)	23.28	16.14	14.33
Total Debt/Tangible Net Worth	Times	0.98	0.82	0.86
PBDIT/Interest	Times	1.51	2.10	1.37
Total Debt/PBDIT	Times	2.42	2.93	3.42
Gross Current Assets (Days)	Days	352	182	197

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in Infrastructure Sector - <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
24-Sep-2018	Proposed Cash Credit	Long Term	8.50	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	6.50	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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