Press Release

Enrich RD Infraprojects Private Limited

July 17, 2020

Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs.20.00 Cr. (Enhanced from Rs.15.00 Cr.)
Long Term Rating	ACUITE BB/ Outlook: Stable (Upgraded and Assigned)
Short Term Rating	ACUITE A4+ (Upgraded)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded and assigned the long-term rating to **'ACUITE BB' (read as ACUITE double B)** from **'ACUITE B+' (read as ACUITE B plus)** and upgraded the short term rating to **'ACUITE A4+' (read as ACUITE A four plus)** from **'ACUITE A4' (read as ACUITE A four)** on the Rs.20.00 crore bank facilities of Enrich RD Infraprojects Private Limited (ERDI). The outlook is **'Stable'**.

Revision in rating

The revision in the rating is on account of improvement in operating and financial performance of ERDI, backed by healthy order book position and comfortable debt protection metrics. The rating also takes into consideration the operational track record of the company and experience of the promoters in the same line of business. The operating income of the company is growing at compounded annual growth rate (CAGR) of 16.11 percent since 2017 and stood improved at Rs.48.36 crore in FY2020 (Provisional) as against Rs.25.68 crore in FY2019. ERDI also has healthy order book in hand of Rs.136.85 crores of which outstanding orders of Rs.70.89 crores is to be executed in upcoming 12 to 18 months providing revenue visibility over the medium term. Further, Liquidity remains adequate with sufficient net cash accruals expected to be generated vis-à-vis debt obligations over the medium term. However, the rating is constrained by moderate scale of operations and working capital intensity of operations.

About the company

Enrich RD Infraprojects Private Limited (ERDI), based of Mumbai was initially established as a proprietorship firm ~ 'R D Electricals' by Mr. Dashrath Redekar in 1984. Later in 2007, it was converted into a private limited company. The operations of the company are collectively managed by the directors 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 the company include Central Railway, Western Railway, Southern Railway and Northern Railway.

Analytical Approach

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

Key Rating Drivers

Strengths

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

ERDI, which was established in 1984, has an established track record of operations of over 3 decades in said line of business. The directors Mr. Sunil Agrawal and Mr. Deepak Redekar possess experience of over a decade, which has helped the company to sustain its existing business profile and undertake new projects in near to medium term. The company is well supported by the second line of management and maintains a bid success ratio of 50 percent. The same is reflected through improvement in operating income at Rs.48.36 crore in FY2020 (Provisional) as against Rs.25.68 crore in FY2019. The operating margin (EBITDA) stood at 12.25 per cent in FY2020 (Provisional) as against 15.49 per cent in FY2019. The profit margins (PAT) stood improved at 5.29 per cent in FY2020 (Provisional) as against 3.82 per cent in FY2019. Further, the company has a healthy order book position of Rs.136.85 of which outstanding orders of Rs.70.89 crore as on June 2020, to be executed in upcoming 12 to 18 months providing revenue visibility over the medium term. Acuité believes that ERDI will continue to benefit from the promoters extensive experience, established presence in the business and improving 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.12.72 crore as on 31 March, 2020 (Provisional) as against Rs.10.16 crore as on 31 March, 2019. The net worth includes an unsecured loan from Directors of Rs.5.82 crore as same is subordinated to bank debt. The total debt of the company stood at Rs.12.65 crore includes Rs.4.40 crore of long term debt, Rs.6.44 crore of short term debt and Rs.1.80 crore of unsecured loans from directors/promoters as on 31 March, 2020 (Provisional). The gearing (debt-equity) stood low at 0.99 times as on 31 March, 2020 (Provisional) as compared to 0.97 times as on 31 March, 2019. Interest Coverage Ratio stood improved at 2.33 times for FY2020 (provisional) as against 1.45 times for FY2019. Debt Service Coverage Ratio (DSCR) stood at 1.72 times in FY2020 (Provisional) as compared to 1.34 times in FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.63 times as on 31 March, 2020 (Provisional) as against 1.64 times as on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.20 times for FY2019 (Provisional). Acuité believes that the company will be able to maintain its financial risk profile in the absence of any major debt-funded capex plan.

Weaknesses

- **Moderately working capital intensive cycle**

Despite improvement, the operations of company stood moderately working capital intensive in nature marked by Gross Current Assets (GCA) of 157 days in FY2020 (Provisional) as against 292 days in FY2019. The improvement in GCA days is marked by lower inventory level of 101 days for FY2020 (Provisional) as against 140 days for FY2019. The receivables stood improved at 36 days for FY2020 (Provisional) as against 101 days for FY2019. Thus resulting in lower reliance on bank lines which stood average utilised at ~71.90 percent for last six months ended June 2020. However, receivables are likely to remain stretch in FY2021 due to impact of covid-19. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **High competition and Tender based nature of business**

The company deals with Indian Railways and quotes for the contracts on a tender basis. The company also faces stiff competition in this industry from many organized as well as unorganized players. The tender base nature of operations and competitive pricing along with successful bidding of contracts will certainly impact operations of the company. However, the company has a success rate of ~50 percent in the tender bidding and experience of promoters mitigates such risk to a certain extent. Going forward, the company's ability to successfully bid for a greater number of large orders remains to be seen.

Rating Sensitivity

- Improving the scale of operations and healthy order book position
- Moderately working capital cycle and tender base nature of business
- Sustaining existing financial risk [profile and liquidity

Liquidity position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.00-2.50 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.05-0.60 crore over the same period. The company's operations are moderately working capital intensive as marked by Gross Current Asset (GCA) days of 157 in FY2020 (Provisional) as against 292 days in FY2019. The average bank limit utilization of the company remains at ~71.90 percent during the last 6 months period ended in June 2020. The company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2020 (Provisional). The current ratio of the company stood at 1.38 times as on March 31, 2020(Provisional). Acuité 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

Acuité 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 a 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	48.36	25.68
PAT	Rs. Cr.	2.56	0.98
PAT Margin	(%)	5.29	3.82
Total Debt/Tangible Net Worth	Times	0.99	0.97
PBDIT/Interest	Times	2.33	1.45

Status of non-cooperation with previous CRA

ICRA, vide its press release dated June 24, 2019 had denoted the rating of Enrich RD Infraprojects Private Limited (ERIPL) as "ICRA C+/ICRA A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Entities in Infrastructure Sector - 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/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Aug-2019	Cash Credit	Long Term	6.50	ACUITE B+ / Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A4 (Reaffirmed)
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	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A4+ (Upgraded from ACUITE A4/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB/ Stable (Upgraded from ACUITE B+/Stable)
Term loans	Not Available	Not Applicable	Not Available	1.53	ACUITE BB/ Stable (Upgraded from ACUITE B+/Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.47	ACUITE BB/ Stable (Assigned)

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About Acuité Ratings & Research:
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