

Press Release

Enrich RD Infraprojects Private Limited

October 11, 2021



Rating Upgraded, Reaffirmed & Withdrawn

Total Bank Facilities Rated*	Rs.20.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Upgraded from ACUITE BB/ Stable & Withdrawn)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

Also, Acuité has upgraded & withdrawn the long-term rating to '**ACUITE BB+** (read as ACUITE double B plus) from '**ACUITE BB**' (read as ACUITE double B) on the Rs.1.53 crore bank facilities of ERDI as per the withdrawal request of ERDI in accordance with Acuité withdrawal Policy.

Rationale for rating upgrade

The rating upgrade reflects stable operating performance despite the impact of Covid-19, improvement in the profitability margins, moderate financial risk profile with comfortable debt protection metrics and adequate liquidity position marked by adequate cash accruals against moderate repayment obligations. The growth in revenue is expected to be sustained in medium term backed by healthy order book size of Rs. 100.45 crore which is approximately 2 times of its revenue in FY2021. Moreover, the company has witnessed a sharp improvement in its capital structure and debt protection ratios due to sustenance of healthy profitability margin. Acuité believes that efficient working capital management will remain critical to sustained growth in the scale of operations.

About the Company

Enrich RD Infraprojects Private Limited (ERDI), based out 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 H. Agrawal, Mr. Deepak R. Dashrath and Mrs. Manali Agrawal. 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 taken a standalone view of the business and financial risk profile of ERDI 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 H. Agrawal, Mr. Deepak R. Dashrath and Mrs. Manali Agrawal 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. However, due to the impact of Covid-19, the bid success ratio came down to 30 percent due to competition. The company has achieved stable revenues despite the impact of covid-19 marked by revenues of Rs.49.24 crore in FY2021 as against Rs.49.56 crore in FY2020. The Company has already achieved turnover of Rs.5.78 crore upto August 31, 2021. Further, the

company has orders in hand worth Rs.100.45 crore as on September 20, 2021 which is expected to be completed by FY2023 providing adequate revenue visibility over the medium term.

Acuité believes that the experience of the management in the industry is likely to favorably impact the business risk profile of the company over the near to medium term.

- **Moderate financial risk profile**

The financial risk profile of ERDI is moderate marked by low gearing (debt to equity ratio) & improving total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 0.59 times as on March 31, 2021 against 1.04 times as on March 31, 2020. TOL/TNW stood at 1.16 times as on March 31, 2021 against 1.91 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.14.25 crore (includes quasi equity of Rs.3.87 crore) as on March 31, 2021 against Rs.10.72 crore (includes quasi equity of Rs.3.87 crore) as on March 31, 2020. The total debt of Rs.8.44 crore as on March 31, 2021 mainly consists of long-term debt of Rs.5.54 crore and short-term debt of Rs.2.91 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 3.35 times and 0.33 times respectively in FY2021; while DSCR stood at 1.72 times in FY2021.

The company has availed covid loan i.e. Working Capital Term Loan (ECLGS) of Rs.1.38 crore from Axis Bank as on September, 2020. The repayment is expected to be completed by September, 2024. The company has also availed covid loan i.e. Working Capital Term Loan (GECL) of Rs.0.48 crore from Deutsche Bank as on July, 2020. The repayment is expected to be completed by July, 2024.

Acuité believes that the financial risk profile of the company is expected to remain moderate on account of modest net worth backed by healthy cash accruals vis- à-vis moderate debt repayment obligations and comfortable debt protection metrics.

Weaknesses

- **Working capital intensive operations**

ERDI's working capital operations are intensive marked by Gross Current Asset days (GCA) of 205 days in FY2021 against 217 days in FY2020. The inventory days stood at 99 days in FY2021 against 83 days in FY2020. The major inventory for the company is WIP. The bills are shown as inventory till it is booked in the railway system. The company has WIP inventory upto 3 months. The debtors' days stood at 76 days in FY2021 against 109 days in FY2020. The debtors consists of receivables from customers which is received within 10-15 days. However, major debtors is retention money of Rs.7.39 crore which is received after the Defect Liability Period (DLP) i.e. 10-24 months. However, fund based limits remains moderately utilized at 55.50% and non-fund based limits remains highly utilized at 97.41% for the last trailing 13 months ended August, 2021.

Acuité believes that the working capital operations of the company are expected to improve over the medium term.

- **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. However, due to the impact of Covid-19, the bid success ratio came down to 30 percent due to competition. Going forward, the company's ability to successfully bid for a greater number of large orders remains to be seen.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity: Adequate

ERDI has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.1.06 crore – Rs.2.76 crore during the last four years through FY2019-21 against moderate repayment obligations in the range of Rs.0.63 crore – Rs.1.03 crore during the same period. It is expected to generate cash accruals in the range of Rs.4.37

crore – Rs.7.55 crore over the medium term, against moderate repayment obligations in the range of Rs.0.54 crore – Rs.0.63 crore. Unencumbered cash and bank balances stood at Rs.0.09 crore as on March 31, 2021 with a current ratio of 2.59 times in the same period. Liquid investments stood at Rs.2.68 crore as on March 31, 2021. The fund based limits remains moderately utilized at 55.50% and non-fund based limits remains highly utilized at 97.41% for the last trailing 13 months ended August, 2021.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that ERDI will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	49.24	49.56
PAT	Rs. Cr.	2.63	2.47
PAT Margin	(%)	5.33	4.98
Total Debt/Tangible Net Worth	Times	0.59	1.04
PBDIT/Interest	Times	3.35	2.10

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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
17-Jul-2020	Bank Guarantee	Short Term	11.50	ACUITE A4+ (Upgraded)
	Cash Credit	Long Term	6.50	ACUITE BB/ Stable (Upgraded)
	Term Loan	Long Term	1.53	ACUITE BB/ Stable (Upgraded)
	Proposed Bank Facility	Long Term	0.47	ACUITE BB/ Stable (Assigned)
01-Aug-2019	Bank Guarantee	Short Term	6.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE B+/ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE B+/ Stable (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**

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Axis Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50*	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable)
Axis Bank	Term Loan	Aug, 2018	8-9%	May, 2021	1.53^	ACUITE BB+ (Upgraded from ACUITE BB/ Stable & Withdrawn)
Axis Bank	Working Capital Term Loan (ECLGS)	Sep, 2020	9.25%	Sep, 2024	1.38	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable)
Deutsche Bank	Working Capital Term Loan (GECL)	Jul, 2020	8.10%	Jul, 2024	0.48	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable)
Axis Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	11.50*	ACUITE A4+ (Reaffirmed)

*One way inter-changeability from CC to BG is allowed for Rs.3.50 crores.

[^]Amount not included in total facilities rated.

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About Acuité Ratings & Research:

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