

Press Release

Enrich RD Infraprojects Private Limited

August 04, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	-	ACUITE A4+ Assigned
Bank Loan Ratings	11.50	-	ACUITE A4+ Reaffirmed
Bank Loan Ratings	2.50	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	8.50	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	33.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and its 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, Acuite has assigned its long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.13.00 Cr bank facilities of Enrich RD Infraprojects Private Limited (ERDI). The outlook is 'Stable'.

Reason for reaffirmation

The rating takes into account the established position of the company in the electrification segment for Railways along with the healthy order book position and the moderate financial risk profile of the company. However, the rating is constrained by the modest scale of operations and the working capital intensive operations of the company.

About the Company

Enrich RD Infraprojects Private Limited (ERDI), based in Mumbai was initially established as a proprietorship firm ~ 'R D Electricals' by Mr. Dashrath Redekar in 1984. which was later converted into a private limited company in 2007. 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 three and a half 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 get a healthy order book. The company has an order book of Rs.112 crore as on April 1,2022 showcasing a good revenue visibility in medium term. The day to day operations of the company are managed by the promoter along with experienced senior management team who are ably supported by a strong line of mid-level managers. 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 company has a moderate financial risk profile marked by the tangible net worth of Rs.15.47 crore (incl quasi equity of Rs.3.87 crore) as on 31 March 2022(Prov) as against Rs.14.25 crore as on 31 March 2021. The increase in the networth is due to the accretion of profits in reserves. The gearing level of the company remained moderate at 1.07 times as on 31 March 2022(Prov) as against 0.59 times as on 31st March 2021. The total debt of the company comprised of long term debt of Rs.3.94 crore and short term debt of Rs.11.74 crore as on 31 March 2022(Prov). The coverage ratios of the company remained moderate with interest coverage ratio of 2.40 times for FY22(Prov) as against 3.35 times for FY21. The DSCR stood at 1.62 times for FY22 as against 1.72 times in FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 1.50 times for FY22(Prov) as against 1.16 times in FY21.

Acuité believes that the financial risk profile of the company is expected to remain moderate on account of no debt funded capex plans in medium term.

Weaknesses

Decline in the operating income and modest scale of operations

The revenue of the company stood at Rs.34.97 crore in FY22(Prov) as against Rs.49.24 crore in FY21. The operations of the company were impacted as the company had inadequate BG facility to undertake additional projects and the enhancement of working capital remained delayed. The company has now secured a Rs.22 crore BG facility from Indusind bank Limited as against Rs.11.50 crores previously. The enhanced limit is expected to remain sufficient for growth over the near to medium term. The operating profit margin improved to 12.99 percent in FY22(Prov) as against 10.15 percent in FY21. This increase in the operating profit margin is due to the reduction in the raw material costs. The PAT margin increased to 6.06 percent in FY22(Prov) as against 5.33 percent in FY21.

Acuité believes that the operating income of the company will improve in the medium term on a back of a healthy order book and adequate BG facility available to take new orders.

Working capital intensive operations

The operations of the company are working capital intensive which is a characteristic trait for such contractors. The GCA days stood at 309 days as on 31 march 2022(Prov) as against 150 days as on 31 march 2021. The increase in the GCA days is majorly due to the increase in the debtors days and inventory days. The debtors days stood at 134 days in FY22(Prov) as against 21 days in FY21. The receivable position appears stretched as the company billed for Rs.13.45 crores only in the month of March 2022, which has lead to higher receivables of Rs.12.80 crores

as on March 31, 2022. The inventory days stood at 164 days as on 31 March 22(Prov) as against 99 days as on 31 March 21. The inventory consists of WIP. The bills are shown as inventory till it is booked in the railway system. The creditors days stood at 18 days as on 31 March 22(Prov) as against 33 days for 21. The fund based facilities are utilized around 76 percent for last 6 months ending June 22 and the BG limits are utilized around 73 percent for last 6 months ending March 22.

Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

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. Going forward, the company's ability to successfully bid for a greater number of large orders remains to be seen.

Rating Sensitivities

Significant 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 position: 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.2.23 crore for FY22(Prov) as against maturing repayment obligation of Rs.0.63 crore during the same period. The company is expected to generate net cash accruals in the range of Rs.3.14-4.85 crore for the period 2023-2025 against moderate repayment obligations in the range of Rs.0.25 crore – Rs.0.83 crore during the same period. The Unencumbered cash and bank balances stood at Rs.0.06 crore as on March 31, 2022(Prov) with a current ratio of 1.58 times in the same period. The fund based facilities are utilized around 76 percent for last 6 months ending June 22 and the BG limits are utilized around 73 percent for last 6 months ending March 22. 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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
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Operating Income	Rs. Cr.	34.97	49.24
PAT	Rs. Cr.	2.12	2.63
PAT Margin	(%)	6.06	5.33
Total Debt/Tangible Net Worth	Times	1.07	0.59
PBDIT/Interest	Times	2.40	3.35

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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
11 Oct 2021	Bank Guarantee	Short Term	11.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Bank Facility	Long Term	0.14	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.53	ACUITE BB+ (Withdrawn)
	Working Capital Term Loan	Long Term	1.38	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Working Capital Term Loan	Long Term	0.48	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
17 Jul 2020	Cash Credit	Long Term	6.50	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Bank Guarantee	Short Term	11.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Term Loan	Long Term	1.53	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Proposed Bank Facility	Long Term	0.47	ACUITE BB Stable (Assigned)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A4+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE A4+ Assigned
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BB+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB+ Stable Assigned
Indusind Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.00	ACUITE BB+ Stable Assigned

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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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