

Press Release

Enrich RD Infraprojects Private Limited

December 27, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	22.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	33.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on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.33.00 Cr bank facilities of Enrich RD Infraprojects Private Limited (ERDI).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

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

Acuite 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.

Moderate financial risk profile

The company has a moderate financial risk profile marked by the tangible net worth of Rs.15.25 crore (incl quasi equity of Rs.3.87 crore) as on 31 March 2022 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 as against 0.59 times as on 31st March 2021. The total debt of the company comprised of long term debt of Rs.3.80 crore and short term debt of Rs.11.46 crore as on 31 March 2022. The coverage ratios of the company remained moderate with interest coverage ratio of 2.38 times for FY2022 as against 3.35 times for FY2021. The DSCR stood at 1.54 times for FY2022 as against 1.72 times in FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 1.48 times for FY2022 as against 1.16 times in FY2021.

Weaknesses

Decline in the operating income and modest scale of operations

The revenue of the company stood at Rs.34.97 crore in FY2022 as against Rs.49.24 crore in FY2021. 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 secured a Rs.22 crore BG facility from Indusind bank Limited as against Rs.11.50 crores previously in FY2022. The enhanced limit is expected to remain sufficient for growth over the near to medium term. The operating profit margin improved to 12.01 times in FY2022 as against 10.15 times in FY2021. This increase in the operating profit margin is due to the reduction in the raw material costs. The PAT margin stood at 5.44 percent in FY2022 as against 5.33 percent in FY2021.

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 297 days as on 31 March 2022 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 132 days in FY2022 as against 21 days in FY2021. 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 162 days as on March 31, 2022 as against 99 days as on March 31, 2021. The inventory consists of Work in progress inventory. The bills are shown as inventory till it is booked in the railway system. The creditors days stood at 27 days as on March 31, 2022 as against 33 days as on March 31, 2021. The fund based facilities are utilized around 76 percent for last 6 months ending November 2022 and the BG limits are utilized around 56 percent as on October 2022.

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

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.2.03 crore for FY2022 as against maturing repayment obligation of Rs.0.63 crore during the same period. The unencumbered cash and bank balances stood at Rs.0.05 crore as on March 31, 2022 with a current ratio of 1.57 times as on March 31, 2022. The fund based facilities are utilized around 76 percent for last 6 months ending November 2022 and the BG limits are utilized around 56 percent as on October 2022.

Outlook:

Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	34.97	49.24
PAT	Rs. Cr.	1.90	2.63
PAT Margin	(%)	5.44	5.33
Total Debt/Tangible Net Worth	Times	1.07	0.59
PBDIT/Interest	Times	2.38	3.35

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

ICRA vide its press release dated 18.11.2021, had reaffirmed ERDI to ICRA C+/A4; INC

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Aug 2022	Bank Guarantee	Short Term	11.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	10.50	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	8.50	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.00	ACUITE BB+ Stable (Assigned)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE A4+ Reaffirmed & Withdrawn
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB+ Reaffirmed & Withdrawn
Indusind Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.00	ACUITE BB+ Reaffirmed & Withdrawn

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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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