

## Press Release

### RKD Infrastructure Private Limited (RKDIPL)

December 30, 2019



### Rating Downgraded

|                                    |   |
|------------------------------------|---|
| <b>Total Bank Facilities Rated</b> | Rs. 46.00 crore<br>(Enhanced from Rs 41.00 crore)           |
| <b>Long Term Rating</b>            | ACUITE BB+/ Stable<br>(Downgraded from ACUITE BBB-/ Stable) |
| <b>Short Term Rating</b>           | ACUITE A4+<br>(Downgraded from ACUITE A3)                   |

\* Refer Annexure for details

### Rating Rationale

Acuité has downgraded a long term rating to '**ACUITE BB+** (read as ACUITE double B plus) from '**ACUITE BBB-**' (read as ACUITE triple B minus) and the short term rating to '**ACUITE A4+**' (read as ACUITE A four plus) from '**ACUITE A3**' (read as ACUITE A three) to the Rs 46.00 crore bank facilities of RKD Infrastructure Private Limited (RKDIPL). The outlook is '**Stable**'.

The downgrade is on account of significant decline in RKDIPL's revenue and elongation in its working capital cycle. The turnover levels of the company have decreased from Rs. 41.16 crore in FY'2018 to Rs. 25.20 crore in FY'2019 thereby witnessing a 38 per cent decline year on year. The elongation in their working capital is mainly due to stretch in receivables where the debtor days have increased from 66 days as on March 31, 2018 to 167 days as on March 31, 2019. Also, due to delays in project execution for forest clearances relating to their project with IRCON International Ltd have led to WIP inventory of Rs. 2.41 crores (40 days as on March 31, 2019).

Established in 2009 as a private limited company, RKD Infrastructure Private Limited (RKDIPL) is a Kolkata based company engaged in construction of roads and buildings. The company undertakes construction of metro station; maintenance of railways and metro tracks, civil works consists of construction of bridges for metro and Indian railways, construction of roads etc. in Assam, West Bengal, Odisha and Jharkhand. The company commenced its commercial operations in April, 2014 by taking over the majority of the business of the proprietorship entity of the promoter, M/s. Ratan Kumar Das, which has been engaged in the civil construction business since 1995. The company was promoted by Kolkata-based, Mr. Ratan Kumar Das, who have been in the same line of business for more than two decades.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of RKDIPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operations**

The promoter, Mr. Ratan Kumar Das has an experience of over two decades in the civil construction business. During this tenure, RKDIPL has executed several projects in the engineering & construction sector at different places in India, for both Central and State government entities like Metro Railways Kolkata, Eastern Railways, RITES Limited, National Thermal Power Corporation Limited (NTPC), Coal India Limited (CIL), Public Works Department (PWD-West Bengal), Kolkata Municipal Corporation etc. Acuité believes that the long standing experience of the promoter along with the long track record of operations has helped the company to establish comfortable relationships with their key suppliers.

- **Healthy order book position**

The company registered operating income of Rs.25.20 crore in FY2019. The company is also executing projects under joint venture where the company has healthy order book on both individual and joint venture basis of Rs. 371.14 crore as on 30th November, 2019 which gives the revenue visibility over the medium term. Acuité believe that the projects from central government agencies such as Metro Railways and Mahanadi Coal Fields (MCL) will benefit RKDIPL over the medium term.

## Weaknesses

### • Moderate Financial risk profile

The company has moderate financial risk profile marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company increased to Rs 15.90 crore as on 31st March, 2019 as compared to Rs 13.55 crore as on 31st March, 2018, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.51 times as on 31st March, 2019 as against 0.29 times as on 31st March, 2018. The total debt of Rs 8.09 crore as on 31st March, 2019 includes long term equipment loan of Rs 3.3 crore, unsecured loan of Rs 0.01 crore, short term debt of Rs 4.77 crore. The Interest Coverage Ratio (ICR) stood comfortable at 5.33 times in FY 19 as against 7.34 times in FY 18. The Debt Service Coverage Ratio (DSCR) stood comfortable at 1.89 times in FY19 as against 3.05 times in the previous year. The net cash accruals against total debt (NCA/TD) stood low at 0.52 times in FY19. The financial risk profile is expected to remain moderate over the medium term backed by steady accruals.

### • Working capital intensive nature of operations

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) days of 282 days in FY19 as against 149 days in FY18. These high GCA days emanates from high debtor days of 167 days in FY19 as against 66 days in FY18 due to delay in realization. Further, the other current assets as on 31st March, 2019 stood at Rs 8.64 crore. Other Current Assets of Rs 8.64 crore as on 31st March, 2019 includes advance tax paid of Rs 5.05 crore, loans and advances of Rs 0.31 crore, Receivable from WBDCL and NTPC of Rs 1.03 crore, deposits with statutory/ government authorities of Rs 0.14 crore, balance with director of Rs 1.83 crore, prepaid expenses of Rs 0.04 crore and Advances to employees of Rs 0.24 crore. The working capital facility remains utilized at 80.51 percent for the 12 months ended November, 2019. The company's working operations are expected to remain working capital intensive due to the line of business the company is engaged in.

### • Modest scale of operations

The revenues stand modest at Rs 25.20 crore in FY 19 as against Rs 41.16 crore a year earlier. Further, the company has achieved Rs 14.05 crore for 6 months ended September, 2019 (Provisional). Ability of the company to reflect growth in scale of operation over the medium term would remain a key monitorable.

## Rating Sensitivity

- Substantial growth in revenue
- Improvement in working capital management

## Material Covenants

None

## Liquidity Profile

The company has adequate liquidity marked by moderate cash accruals. The company has generated cash accruals of Rs 4.21 crore in FY19 as against Rs 5.65 crore in FY18 as against its maturing debt obligations of Rs 1.69 crore in FY19 and Rs 1.14 crore in FY18. The net cash accruals against total debt (NCA/TD) stood healthy at 0.52 times in FY19. The company maintains unencumbered cash and bank balances of Rs 0.16 crore as on 31st March, 2019. The current ratio of the company stood at 0.98 times as on 31st March, 2019 as against 0.88 times as on 31st March, 2018 due to high creditors. Further, the operations of the company are working capital intensive marked by Gross Current Assets (GCA) days of 282 days in FY19 as against 149 days in FY18. Acuité believes the company's liquidity to remain adequate over the medium term.

## Outlook: Stable

Acuité believes that the outlook on RKDIPL will remain 'Stable' over the medium term backed by its experienced management and healthy order book position. The outlook maybe revised to 'Positive' in case of higher than expected revenue and improvement in working capital management. However, the outlook maybe revised to 'Negative' in case of decline in the scale of operations coupled with deterioration financial risk profile.

### About the Rated Entity - Key Financials

|                               | Unit    | FY19 (Actual) | FY18 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income              | Rs. Cr. | 25.20         | 41.16         |
| PAT                           | Rs. Cr. | 2.34          | 4.15          |
| PAT Margin                    | (%)     | 9.30          | 10.08         |
| Total Debt/Tangible Net Worth | Times   | 0.51          | 0.29          |
| PBDIT/Interest                | Times   | 5.33          | 7.34          |

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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. Crore) | Ratings/Outlook               |
|-------------|---------------------------------|------------|--------------------|-------------------------------|
| 05-Oct-2018 | Cash Credit                     | Long Term  | 3.00               | ACUITE BBB-/Stable (Assigned) |
|             | Proposed Cash Credit            | Long Term  | 3.00               | ACUITE BBB-/Stable (Assigned) |
|             | Bank Guarantee                  | Short Term | 18.75              | ACUITE A3 (Assigned)          |
|             | Proposed Bank Guarantee         | Short Term | 16.25              | ACUITE A3 (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                          |
|----------------------------------|------------------|----------------|----------------|--------------------------------------|--|
| Cash Credit                      | Not Applicable   | Not Applicable | Not Applicable | 6.00 (Enhanced from Rs 3.00 Crore)   | ACUITE BB+ (Downgraded from ACUITE BBB-) |
| Proposed Cash Credit             | Not Applicable   | Not Applicable | Not Applicable | 1.50 (Reduced from Rs 3.00 Crore)    | ACUITE BB+ (Downgraded from ACUITE BBB-) |
| Letter of Credit                 | Not Applicable   | Not Applicable | Not Applicable | 2.25                                 | ACUITE A4+ (Assigned)                    |
| Bank Guarantee                   | Not Applicable   | Not Applicable | Not Applicable | 34.00 (Enhanced from Rs 18.75 Crore) | ACUITE A4+ (Downgraded from ACUITE A3)   |
| Proposed non-fund based facility | Not Applicable   | Not Applicable | Not Applicable | 2.25                                 | ACUITE A4+ (Assigned)                    |

## Contacts

| Analytical  | Rating Desk   |
|---|---|
| Pooja Ghosh<br>Head - Corporate and Infrastructure Sector Ratings<br>Tel: 033-6620 1203<br><a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a> | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-49294011<br><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a> |
| Pallavi Meher<br>Analyst - Rating Operations<br>Tel: 033-66201215<br><a href="mailto:pallavi.meher@acuite.in">pallavi.meher@acuite.in</a>                   |   |

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile ACUITE Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.