

Press Release

R K D Infrastructure Private Limited

March 15, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 46.00 Cr
Long Term Rating	ACUITE BB+/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.46.00 crore bank facilities of RKD Infrastructure Private Limited. The outlook is '**Stable**'.

Established in 2009, RKD Infrastructure Private Limited (RKDIPL) is a Kolkata based company engaged in the construction of metro station, maintenance of railways and metro tracks, construction of bridges for metro and Indian railways and construction of roads in various states, including Assam, West Bengal, Odisha and Jharkhand. Currently, the company is managed by the directors Mr. Ratan Kumar Das, Mr. Tapan Kumar Das, Mr. Rupratim Das and Mrs Ratna Das.

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 established track record of operations**

The promoter, Mr. Ratan Kumar Das has an experience of over two decades in the civil construction business. Acuité believes the long track record and rich experience of the promoters and their healthy relations with reputed customers such as Metro Railways Kolkata, Eastern Railways, Rail India Technical and Economic Services (RITES) Limited, National Thermal Power Corporation Limited (NTPC), Coal India Limited (CIL), Public Works Department (PWD-West Bengal) and Kolkata Municipal Corporation will continue to support the business risk profile over the medium term.

- **Comfortable financial risk profile**

The company's comfortable financial risk profile is marked by modest net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company increased to Rs.19.70 crores as on March 31, 2020, compared to Rs.15.90 crores on March 31, 2019 backed by accretion to reserves. The company has gearing at 0.43 times as on March 31, 2020 as against 0.51 times as on March 31, 2019. The debt of Rs.8.53 crores mainly consists of short term debt of Rs.6.18 crore, long term debt of Rs.1.17 crores and maturing obligations of Rs.1.11 crores as on March 31, 2020 and unsecured loans from directors and body corporates of Rs.0.08 crore. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio which stood at 6.29 times in FY2020 as against 5.33 times in FY2019 and Debt Service Coverage Ratio(DSCR) stood at 1.83 times in FY2020 as against 1.89 times in FY2019. The NCA/TD(Net Cash accruals to total debt) stood at 0.58 times in FY2020 as compared to 0.52 times in FY2019. Acuité believes that the financial risk profile of the company would improve, supported by an increase in accruals in the medium term.

Weaknesses

- **Working capital intensive operations**

The working capital intensive operations of the company are marked by high Gross Current Assets (GCA) of 278 days in FY2020 as compared to 282 days in FY2019. The high GCA days emanates from high other current assets of Rs.29.91 crores as on March 31, 2020 compared to Rs.8.64 crores as on March 31, 2019. The other

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current asset mainly includes loans and advances to suppliers of Rs.3.70 crores, receivable from West Bengal Power Development Corporation Limited (WBDCL) and National Thermal Power Corporation Limited (NTPC) of Rs.1.03 crore, deposits with statutory/ government authorities of Rs.22.69 crores, balance with director of Rs.1.74 crore, prepaid expenses of Rs.0.75 crore. The debtor period is comfortable at 69 days in FY2020 as compared to 167 days in FY2019 due to improvement in realisation. Further, the inventory holding stood at 65 days in FY2020 as compared to 40 days in FY2019. Acuité believes that working capital management of the company will remain a key credit monitorable.

• Competitive and fragmented industry

The company is engaged in civil construction work for various government projects. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on the minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the promoters have been operating in this environment for more than two decades.

Rating Sensitivity

- Improvement in working capital management
- Sustenance of financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity position is adequate marked by cash accruals of Rs.4.97 crores in FY2020 against debt repayments of Rs.2.19 crores during the previous financial year. The net cash accruals are expected to be ranging from Rs.4.37 crores to Rs.6.44 crores during FY21-23 against its maturing debt obligations of around Rs.0.40-1.44 crore over the same period. The unencumbered cash and bank balances stood at Rs.0.50 crores as on March 31, 2020 against Rs.0.16 crores as on March 31, 2019. The current ratio stood at 1.27 times as on March 31, 2020 as compared to 0.98 times as on March 31, 2019. However, the fund based bank limits are fully utilized in past six months ended in December, 2020. The company has not availed any loan moratorium but has availed a COVID loan of Rs.1.20 crores. Acuité believes that the liquidity of the company will remain at similar levels, supported by increase in accruals in the medium term.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or financial risk profile leading to deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19(Actual)
Operating Income	Rs. Cr.	72.53	25.20
PAT	Rs. Cr.	2.88	2.34
PAT Margin	(%)	3.98	9.30
Total Debt/Tangible Net Worth	Times	0.43	0.51
PBDIT/Interest	Times	6.29	5.33

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

ICRA, vide its press release dated August 26, 2020 had denoted the rating of RKD Infrastructure Private Limited as 'ICRA B+/Stable/A4+; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>

•Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
30-Dec-2019	Cash Credit	Long Term	6.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
	Proposed Cash Credit	Long Term	1.50	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	34.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed non fund based facility	Short Term	2.25	ACUITE A4+ (Assigned)
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	ACUITE BB+/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB+/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	34.00	ACUITE A4+ (Reaffirmed)
Proposed non fund based facility	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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