

## Press Release

R K D Infrastructure Private Limited

June 06, 2022



### Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.50	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	7.50	ACUITE BB   Stable   Downgraded	-
Total Outstanding Quantum (Rs. Cr)	46.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and has reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.46.00 Cr bank facilities of R K D Infrastructure Private Limited (RKIDPL). The outlook remains '**Stable**'.

The rating downgrade of RKIDPL takes into account the deteriorating business risk profile of the company along with the working capital intensive nature of operations of the company and stretched liquidity. These weaknesses are however partly offset by the long track record of operations and above average financial risk profile of the company.

### About the Company

Established in 2009, R K D Infrastructure Private Limited (RKIDPL) is based in Kolkata and is engaged in the civil construction business. The company is headed by Mr. Ratan Kumar Das, Mr. Tapan Kumar Das, Mr. Rupratim Das and Mrs Ratna Das. It undertakes contracts with Eastern Railway, Rail Vikas Nigam Limited, National Thermal Power Corporation Limited (NTPC) Assam, Rail India Technical and Economic Services (RITES) Limited, to name a few. RKIDPL executes projects for the construction of roads, metro station, bridges for metro & Indian railways and maintenance of railways & metro tracks. It operates in Assam, West Bengal, Odisha and Jharkhand.

### Analytical Approach

Acuite has considered the standalone financial and business risk profile of R K D Infrastructure Private Limited (RKIDPL).

### Key Rating Drivers

#### Strengths

- Experienced management and established operations

RKDIPL's established operation spans over a decade. Moreover, the directors of the company, Mr. Ratan Kumar Das, Mr. Tapan Kumar Das, Mr. Rupratim Das and Mrs Ratna Das have more than two decades of experience in the civil construction industry contributing to the growth of the company. Acuité believes that the long track record of operations and the directors strong understanding of the market dynamics coupled with healthy relations with the customers and suppliers will continue to benefit the company going forward.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by improving net worth, with comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.23.26 Cr as on March 31, 2021 from 19.70 Cr as on March 31, 2020 due to accretion to reserves. Gearing of the company stood comfortable at 0.52 times as on March 31, 2021 as against 0.43 times as on March 31, 2020, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a high level of 2.22 times as on March 31, 2021 as against 2.61 times as on March 31, 2020. The healthy debt protection metrics is marked by Interest Coverage Ratio at 2.24 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.36 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.18 times as on March 31, 2021. Acuité believes that going forward the financial risk profile will remain above average over the medium term, in absence of any major debt funded capex plans.

## **Weaknesses**

- **Declining revenue trend**

The company has an unexecuted order book of Rs.201.95 Cr as on March 31st, 2022, to be executed in the next 12 to 24 months. However, the company has faced a declining trend in their revenue generation over the years. For FY2022, the company has achieved revenues of Rs.49.72 Cr (provisional) as compared to revenues of Rs.52.96 Cr in FY2021 and Rs.72.53 Cr in FY2020, thereby registering a declining CAGR of 17.24 per cent over the two years. The decrease in the top line is due to the delays in order completion due to the obstructions faced by the company as a result of the pandemic. Acuite believes that going forward, improvement in the scale of operations and the timely execution of orders will be a key monitorable.

- **Working capital intensive nature of operations**

The company's working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 426 days on 31st March 2021 as compared to 278 days in 31st March 2020. The high level of GCA days is on account of high inventory level and high current assets arising out of retention money and security deposits during the same period. The inventory holding stood at 94 days in 31st March 2021 as compared to 65 days as on 31st March 2020. The high inventory level is due to maintaining the stock of required materials in order to support the instant requirements. Along with this, the debtor period stood at 81 days in 31st March 2021 as compared to 69 days as on 31st March 2020 due to the extended credit period provided to the clientele. Acuité believes that the working capital operations of the company will remain at same level as evident from the high inventory levels and extended collection mechanism over the medium term.

- **Competitive industry**

The civil construction sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. However, this risk is mitigated to an extent on account of the experience of the management and well established presence in its terrain.

## **Rating Sensitivities**

- Improvement in the scale of operations
- Reduction in order flow
- Further elongation in working capital cycle

### Material covenants

None

### Liquidity Position: Stretched

The company's liquidity is stretched marked by the fully utilization of fund based limits till March 31<sup>st</sup>, 2022. The net cash accruals stood low at Rs.2.21 Cr as on March 31, 2021 as against long term debt repayment of Rs.1.11 Cr over the same period. Further, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 426 days in 31<sup>st</sup> March 2021 as compared to 278 days in 31<sup>st</sup> March 2020. However, the current ratio stood comfortable at 1.30 times as on March 31, 2021 as compared to 1.27 times as on March 31, 2020. The cash and bank balances of the company stood at Rs.2.74 Cr as on March 31, 2021. Acuité believes that going forward the liquidity position of the company will remain around the same levels as evident from the low cash accruals.

### Outlook: Stable

Acuité believes that the outlook on R K D Infrastructure Private Limited (RKIDPL) will remain 'Stable' over the medium term on account of the experienced management, healthy order book position and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	52.96	72.53
PAT	Rs. Cr.	0.37	2.88
PAT Margin	(%)	0.71	3.98
Total Debt/Tangible Net Worth	Times	0.52	0.43
PBDIT/Interest	Times	2.24	6.29

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

CRISIL, vide its press release dated January 31, 2022 had denoted the rating of R K D Infrastructure Private Limited (RKIDPL) as 'CRISIL B/Stable/A4; ISSUER NOT COOPERATING'.

### Any other information

Not Applicable

### 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
15 Mar 2021	Cash Credit	Long Term	6.00	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	34.00	ACUITE A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	1.50	ACUITE BB+   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	2.25	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Reaffirmed)
30 Dec 2019	Bank Guarantee	Short Term	34.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Cash Credit	Long Term	1.50	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Proposed Bank Facility	Short Term	2.25	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
05 Oct 2018	Proposed Bank Guarantee	Short Term	16.25	ACUITE A3 (Assigned)
	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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	34.00	ACUITE A4+   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB   Stable   Downgraded ( from ACUITE BB+ )
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB   Stable   Downgraded ( from ACUITE BB+ )

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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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