

Press Release

Reliable Enterprises

December 23, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	ACUITE B- (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) and the short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.8.00 Crore bank facilities of Reliable Enterprises (RE). The rating withdrawal is in accordance with Acuité'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The rating is being withdrawn on account of request received from the company and NOC received from the banker.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

Incorporated in 1999, Reliable Enterprises (Reliable) is a partnership firm engaged in civil construction business. It is operated by its Partners, Mr. Tarun Shah and Mr. Jaiheet Shah. The firm majorly caters to Municipal Corporation of Greater Mumbai (MCGM) and Indian Railways. It has an unexecuted order book of Rs.15.71 crore and it is expected to receive order worth Rs.14.78 crore.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of RE to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The firm has been in the civil construction business for more than a decade. The established track record of operations has helped maintain long standing relations with customers and suppliers, thus, ensuring regular flow of orders, though modest. The day to day operations are managed by its Managing Partner, Mr. Tarun Shah, who has an experience of over a decade in civil construction business.

Acuité believes that RE will continue to benefit from its experienced management and established relationships with customers and suppliers.

Weaknesses

- **Modest scale of operations**

The firm reported revenue of around Rs.8.70 crore (Provisional) in FY2020 as against Rs.8.21 crore in FY2019. However, the operating margins of the firm improved to 7.00 percent (Provisional) in FY2020 from 6.51 percent in FY2019.

Acuité believes that the scale of operations of the firm is expected to remain muted in near medium term due to COVID19 impact.

- **Intensive working capital management**

The working capital of RE is intensive in nature marked by high Gross Current Asset (GCA) days of 304 (Provisional) for FY2020 as against 285 in the previous year. This is on account of increased in debtor days which stood at 99 (Provisional) for FY2020 as against 44 for FY2019, further inventory days stood nil (Provisional) in FY2020 and FY2019. Further, current assets stood at Rs.4.94 crore (Provisional) in FY2020 as against Rs.5.20 crore in FY2019. The reliance on working capital facility is high, its utilization is around ~80 percent on an average for

last 6 months ending November, 2020. Going ahead, the ability of the firm to efficiently manage its working capital requirements will remain the key rating sensitivity.

- **Average financial risk profile**

The financial risk profile is average marked by modest net worth and moderate debt protection measures and low gearing. The net worth of the firm is modest at Rs.4.29 crore (Provisional) as on 31 March 2020 as against Rs.3.47 crore as on 31 March 2019. The gearing (debt to equity) of the firm stood low at 0.29 times (Provisional) as on March 31 2020 as against 0.83 times as on March 31 2019. Total debt of Rs.1.25 crore consists of unsecured loans of Rs.0.14 crore and working capital facility of Rs.1.11 crore (Provisional) as on 31 March 2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.92 times (Provisional) as on 31 March 2020 as against 1.16 times as on 31 March 2019. Interest Coverage Ratio (ICR) stood at 1.28 times (Provisional) in FY2020 as against 1.14 times in FY2019. Net Cash Accruals/ Total Debt (NCA/TD) stood at 0.12 times (Provisional) as on 31 March 2020 as against 0.03 times as on 31 March 2019. Debt Service Coverage Ratio (DSCR) stood at 1.28 times (Provisional) in FY2020 as against 1.14 times in FY2019.

Acuité believes that the financial risk profile of RE will continue to remain average over the medium term on account of its muted scale of operations and net cash accruals in near future.

- **Tender based business**

Major business is bagged through open tenders. Hence, the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk becomes more pronounced as tendering is based on minimum amount of bidding of contracts. The firm has to do tendering on competitive prices; this may affect the profitability of the company. This has resulted in fluctuating operating profit margins.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity: Adequate

RE has adequate liquidity marked by net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.15 crore (Provisional) in FY2020 as against Rs.0.07 crore in FY2019, while its maturing debt obligation was nil for the same period. The firm's working capital operations are intensive as marked by high gross current asset (GCA) days of 304 (Provisional) in FY2020. Further, the reliance on working capital borrowings is high, the cash credit limit in the firm remains utilized at ~80 percent during the last 6 months' period ended November, 2020. The firm maintains unencumbered cash and bank balances of Rs.0.06 crore (Provisional) as on March 31, 2020. The current ratio of the firm stands at 2.11 times (Provisional) as on March 31, 2020.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	2.35	2.24
PAT	Rs. Cr.	(0.59)	0.04
PAT Margin	(%)	(25.23)	1.62
Total Debt/Tangible Net Worth	Times	0.15	0.12
PBDIT/Interest	Times	(0.28)	1.45

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Jan-2020	Cash Credit	Long Term	2.00	ACUITE B-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	2.00	ACUITE B-/ Stable (Reaffirmed)
23-Oct-2018	Cash Credit	Long Term	2.00	ACUITE B-/ Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	2.00	ACUITE B-/ Stable (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	2.00	ACUITE B- (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B- (Withdrawn)

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About Acuité Ratings & Research:

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