

## Press Release

### Rakshit Infrastructure Projects Private Limited

January 04, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 9.50 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 9.50 crore bank facilities of Rakshit Infrastructure Projects Private Limited (RIPPL). The outlook is '**Stable**'.

RIPPL is a Mumbai-based company incorporated in 2008 by Mr. Valchand Shah. The company undertakes civil construction work such as construction of roads, parks and buildings for BMC (Brihanmumbai Municipal Corporation) through tender bidding. RIPPL also bids for projects of Maharashtra Housing and Area Development Authority (MHADA) for construction of buildings and Bharti Airtel Limited (BAL) for infrastructure work of tower for relaying and transmission of signals and telecom based cable services.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RIPPL to arrive at this rating.

## Key Rating Drivers

### Strengths

- **Established track record of operations and experienced management**

RIPPL is promoted by Mr. Valchand Shah. He has an experience of more than two decades in the same line of business. RIPPL's order book position remains healthy at Rs.20.00 crore as on 30 November, 2018 out of which Rs.2.75 crore worth of orders are already executed as on 30 October, 2018. Hence, the healthy order book provides modest revenue visibility for the company over the medium term. Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

- **Reputed clientele base**

RIPPL caters to reputed clientele such as BMC (Brihanmumbai Municipal Corporation), Maharashtra Housing and Area Development Authority (MHADA), Bharti Airtel Limited (BAL) to name a few. Hence, the majority of revenue is generated from State Government and Central Government, thus providing low counter party risk. The company, however, is exposed to delay in realisation of receivables.

### Weaknesses

- **Working capital intensive nature of operations**

The operations of RIPPL are working capital intensive reflected by high Gross Current Assets (GCA) which stood at 975 days, driven by debtors of 799 days and inventory of 69 days, as on March 31, 2018. Working capital requirement is funded through bank lines that have been 85 percent utilised over the two months through October 2018. Creditors were at 424 days as on March 31, 2018.

- **Below average financial risk profile**

RIPPL's financial risk profile is marked by its low net worth, low gearing and moderate debt protection measures. The net worth increased to Rs.3.57 crore as on 31 March, 2018 as against Rs.3.55 crore in the previous year. The company's gearing is estimated to be low at 0.23 times as on 31 March, 2018 as against 0.89 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.19 times as on March 31, 2016. The total debt of

Rs.0.82 crore consists of long term debt of Rs.0.06 crore, Rs. 0.75 crore of unsecured loans from relatives and promoters and Rs.0.01 crore of short term debt obligations. The interest coverage ratio stood at 3.91 times in FY18 as against 1.50 times in the previous year. NCA/TD ratio stood 0.19 times in FY18.

• **Customer concentration risk**

About ~95 percent of orders of the company are from top 5 customers, thus is exposed to significant customer concentration risk.

• **Profitability susceptible to fluctuations in input cost**

The input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature with labour cost constituting around ~55 percent of the total revenue as the company sub-contracts its work. Hence, any adverse movement in input costs can impact profitability. However, the company reported EBITDA margin of 12.67 percent in FY2018 as against 10.81 percent in the previous year.

**Outlook: Stable**

Acuite believes that the outlook on RIPPL's facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile, most likely as a result of higher than envisaged working capital requirements.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.94	4.78	6.77
EBITDA	Rs. Cr.	0.12	0.52	0.18
PAT	Rs. Cr.	0.11	0.13	-0.40
EBITDA Margin	(%)	12.67	10.81	2.59
PAT Margin	(%)	11.47	2.74	-5.86
ROCE	(%)	3.52	5.90	2.61
Total Debt/Tangible Net Worth	Times	0.23	0.89	1.19
PBDIT/Interest	Times	3.91	1.50	0.36
Total Debt/PBDIT	Times	3.36	5.99	27.50
Gross Current Assets (Days)	Days	975	280	312

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

Not applicable

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Not Applicable

**\*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	4.50	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

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**About Acuité Ratings & Research:**

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