Press Release

RAKSHIT INFRASTRUCTURE PROJECTS PRIVATE LIMITED

December 05, 2019

Rating Reaffirmed

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

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' **(read as ACUITE B)** and short-term rating of **'ACUITE A4' (read as ACUITE A four)** on 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 standalone business and financial risk profile of RIPPL to arrive at the 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.

  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

- **Modest scale of operations and decline in profitability**

  The company reported modest scale of operations marked by operating income of Rs.6.23 crore in FY2019 as against operating income of Rs.0.94 crore in FY2018. The operating margins of the company deteriorated to 8.62 percent in FY2019 from 12.67 percent in FY2018. Further, Profit after Tax (PAT) margins deteriorated to 1.61 per cent in FY2019 from 11.47 per cent in FY2018.

- **Intensive working capital operations**

The working capital of RIPPL is intensive in nature marked by high Gross Current Asset (GCA) days of 235 for FY2019 as against 975 in the previous year. This is on account of high inventory days which stood at 182 for FY2019 as against 69 for FY2018, further debtor days stood at 68 in FY2019 as against 799. Further, the reliance on working capital facility is high, its utilization is around ~75 percent on an average for last 6 months ending October, 2019.

Going ahead, the ability of the company 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 low protection measures and high gearing. The net worth of the company is modest at Rs.3.66 crore as on 31 March 2019 as against Rs.3.57 crore as on 31 March 2018. The gearing (debt to equity) of the company deteriorated to 1.26 times as on March 31 2019 from 0.10 times as on March 31 2018. Total debt of Rs.4.62 crore consists of term loan of Rs.0.03 crore, unsecured loans of Rs.1.71 crore and working capital facility of Rs.2.89 crore as on 31 March 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.89 times as on 31 March 2019 as against 0.39 times as on 31 March 2018. Interest Coverage Ratio (ICR) deteriorated to 1.42 times in FY2019 from 3.91 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) deteriorated to 0.03 times as on 31 March 2019 from 0.43 times as on 31 March 2018. Debt Service Coverage Ratio (DSCR) deteriorated to 1.26 times in FY2019 from 3.50 times in FY2018.

- **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 become more pronounced as tendering is based on minimum amount of biding 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 Sensitivity

- Increase in scale of operations in the range of Rs.15.00 to 20.00 crore coupled with improvement in profitability in the range of 10.00 to 12.00 per cent.
- Deterioration in working capital operations marked by Gross Current Assets (GCA) days in the range of 300 to 350 days.

Material Covenants

None.

Liquidity Position: Poor

RIPPL has poor liquidity marked by net cash accruals. The company generated cash accruals of Rs.0.15 crore in FY2019 as against Rs.0.16 crore in FY2018 and Rs.0.18 crore in FY2017. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 235 in FY2019. Further, the reliance on working capital borrowings is moderate, the cash credit limit in the company remains utilized at ~75 percent during the last 6 months' period ended October, 2019. The current ratio of the company stands at 0.87 times as on March 31, 2019.

Outlook: Stable

Acuité believes that RIPPL will maintain a `Stable' business profile in the medium term, while benefitting from its experienced management and growth in operations. The outlook may be revised to 'Positive' if RIPPL shows significant improvement in financial risk profile and revenues while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in-case of further deterioration in financial risk profile.

About the Rated Entity - Key Financials

Particulars	Unit	2019	2018
Operating Income	Rs. Crore	6.23	0.94
Profit after tax (PAT)	Rs. Crore	0.10	0.11
PAT margin	%	1.61	11.47
Total debt / Tangible Net worth	Times	1.26	0.10
PBDIT / Interest	Times	1.42	3.91

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-51.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jan-2019	Cash Credit	Long Term	4.50	ACUITE B/ Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (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	4.50	ACUITE B / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:
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