

Press Release

RNP Scaffolding And Formwork Private Limited

June 12, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Erratum: In the original PR dated December 30, 2019, the hyperlinks to the relevant rating criteria referred to an earlier version which have now been updated in this version.

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B Plus**) on the Rs. 25.00 crore bank facilities of RNP Scaffolding and Formwork Private Limited (RSPL). The outlook is '**Stable**'.

RNP Scaffolding & Formwork Private Limited (RSPL) was established in 2013 and started its operations from FY2014. The company has its registered office in Navi Mumbai. The company is run by Mr. Ramesh Patil, Mr. Vishal Patil and supported by technical staff. The company is engaged in manufacture of scaffolding & formworks which has applications in construction, real estate and industrial sectors. RSPL rents out the scaffoldings and formworks manufactured mainly to real estate developers and infrastructure companies.

RSPL also undertakes job work activity for manufacture of scaffoldings and formworks. The company was also engaged in trading of steel pipes and other scaffolding products contributing nearly 84.00 percent of the revenue in FY2017 and 40.00 percent in FY2018 respectively. The manufacture of scaffolding and formwork is done in-house.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RSPL to arrive at the rating

Key Rating Drivers

Strengths

• Experienced Management

The company is promoted by Mr. Ramesh Patil and Mr. Vishal Patil. The promoters possess more than a decade experience in the said line of business. The company is also well supported by technical staff and second line of management. Acuite believes that the company will continue to benefit from its existing established relationships with reputed clients, technical expertise and extensive experience of the management in the industry.

• Reputed Clientele and moderate order book

The company caters to reputed clients like ACC India Pvt. Ltd., Hitachi Lift India Limited, Shapoorji & Paloonji Co Ltd., TATA Projects Ltd. and Toshiba Johnson Elevators (I) Pvt. Ltd to name few. The credibility of reputed clients mitigates counter party risk. The company has maintained longstanding relationships with these clients ensuring recurring flow of orders for supply of scaffolding material. Further, company has moderate order book of Rs. 24.37 crores for 3 to 6 months providing revenue visibility over near to medium term.

Weaknesses

• Average financial risk profile

RSPL average financial risk profile is marked by low net worth, average debt protection metrics and high gearing. The net worth of the company stood at Rs. 4.13 crore as on 31 March, 2019 as against Rs. 3.52 crores as on 31 March, 2018. The gearing level (debt-equity) stood high at 12.15 times as on 31 March, 2019 and 14.15 times as on 31 March, 2018. The total debt of Rs. 50.22 crore as on 31

March, 2019 consists of long term debt of Rs.6.48 crore, intercorporate deposit of Rs.18.08 crores and working capital borrowings of Rs. 25.65 crore. The interest coverage ratio (ICR) stood at 1.78 times and NCA/TD (Net Cash Accruals to Total Debt) ratio stood low at 0.07 times in FY2019. Debt to EBITDA stood high at 5.84 times and DSCR at 1.48 times in FY2019. Acuite expects the company to improve its financial risk profile on account of change in revenue mix and moderate order book position.

• Working capital intensive nature of operations

The operations of RSPL are working capital intensive marked by Gross Current Asset (GCA) of 664 days in FY2019 on account of high debtors' collection period of 217 days in FY2019 and 251 days in FY2018. Further the creditor payback period of the company stood at 498 days in FY2019. Further the company has utilized almost 91.53 percent of its bank limits in the last six months ending November 2019. Acuite believes that the operations of RSPL will remain working capital intensive being into capital goods industry where the operating cycle ranges between 180 to 365 days.

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Liquidity Position: Adequate

RSPL has adequate liquidity marked by average net cash accruals against maturing debt obligations. The company generated cash accruals of Rs. 3.32 crore for FY2019 as against debt obligations of Rs.0.41 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 3.00 crore to Rs. 4.00 crore during FY 2020-22 against repayment obligations of around Rs.0.40 crore to Rs. 0.60 crore. The company's working capital operations are intensive marked by gross current asset (GCA) days of 664 days in FY2019. RSPL maintains cash and bank balances of Rs. 1.28 crore as on 31 March 2019. The current ratio of the company stood low at 0.51 times as on 31 March, 2019. Further the company utilized its working capital limits at 91.53 in the last six months ended November 2019.

Rating Sensitivities

- Improvement in the scale of operations with respect to its growth in revenue
- Sustainability of operating and net profit margins.
- Stretch in working capital management leading to stretch in liquidity profile

Outlook: Stable

Acuite believes that the outlook on RSPL's facilities will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue while improving profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile and further Stretch in working capital management leading to stretch in liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	35.66	60.10
PAT	Rs. Cr.	0.62	0.69
PAT Margin	(%)	1.73	1.14
Total Debt/Tangible Net Worth	Times	12.15	14.15
PBDIT/Interest	Times	1.78	1.75

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

ICRA vide its press release dated February 25, 2019 have moved the ratings of the company to the 'ISSUER NOT CO-OPERATING' category due to non-submission of requisite information by the entity. The long-term rating is denoted as '[ICRA] B; ISSUER NOT CO- OPERATING' (pronounced ICRA B Issuer Not Co-operating) while the short-term rating is denoted as '[ICRA] A4; ISSUER NOT COOPERATING'.

Any other information

None

Any Material Covenants

None

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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