Press Release

RPL Projects Limited

March 06, 2020

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 crore
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** to the Rs. 26.75 crore bank facilities and the short-term rating of **'ACUITE A3' (read as ACUITE A three)** to the Rs. 3.25 crore bank facilities of RPL PROJECTS LIMITED (RPLPL). The outlook is **'Stable'**.

Varanasi based, RPL Projects Limited was incorporated in the year 2009 and is engaged in removal of overburden from coal mines, logistics of fine coal and trading of coal across the country. RPLPL executes contracts for reputed companies like Western Coalfields Limited, Ultratech Cement Limited and Grasim Industries Limited, to name a few. Currently, the directors of the company are Mr. Naveen Rungta, Mr. Praveen Kumar Rungta, Mr. Santosh Kumar Rungta and Mr. Mahendra Kumar Rungta.

Analytical Approach

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

Key Rating Drivers

Strengths

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

The company executes contracts related to removal of overburden from coal mines and logistics of fine coal. The company is also engaged in the trading of coal. The promoters and directors of the company have over two decades of experience in the aforementioned industry. RPLPL caters to the demand of various reputed clients such as Western Coalfields Limited and Northern Coalfields Limited, to name a few.

Due to the company's established track record of operations and management experience, the company has booked the revenue of Rs. 178.86 crore in FY2019 as compared to Rs. 126.17 crore in FY2018 and Rs. 115.78 crore in FY2017. Further, RPLPL has booked revenue of Rs. 84.92 crore, for the half year ended as on 30th September, 2019. RPLPL has an unexecuted order book of Rs. 651.30 crore as on December 31, 2019, which provides revenue visibility over the medium term. The company is expected to continue to leverage its well established relationships with reputed clients and suppliers.

Acuité believes that the company will continue to benefit from its established track record of operations and experienced management.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by healthy net worth, moderately low gearing, above average debt protection metrics and coverage indicators.

The net worth of the company is healthy, estimated at around Rs. 53.12 crore as on 31st March, 2019.

The net worth levels have seen significant improvement over the last three years through FY2019 on account of healthy profitability along with infusion of funds in the form of quasi equity to the tune of Rs. 7.59 crores.

The company has followed a moderately aggressive financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 2.02 times and 3.09 times as on March 31, 2017. The leverage levels however have improved to 1.18 times as on March 31, 2019. The company incurred capex of Rs. 41.32 crore over the last three years to expand its scale of operations, while its incremental working capital requirement over the same period to support the increase in scale of operations has been around Rs. 22.42 crore. The company on the other hand generated cash accruals in the range of Rs. 12.20 crore to 17.25 crore over the same period.

The total debt of Rs. 62.61 crore as on 31 March 2019 comprises of long-term borrowings of Rs. 42.26 crores, unsecured loans of Rs. 2.11 crores and working capital borrowings of Rs. 18.24 crores. The company's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs.19.25 crores to Rs. 23.74 crores which are adequate to service its repayment obligations while supporting incremental working capital requirements to an extent.

The revenues of the company remained stable at Rs. 178.86 crore during 2018-19, while its operating margins deteriorated, though remained healthy, from 16.71 per cent in FY2018 to 14.81 per cent in FY2019. The above average profitability levels coupled with moderate debt levels has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY 2019 were moderate at 0.28 per cent and 3.38 times, respectively.

Acuité believes that the financial risk profile of the company is expected to remain healthy on back of absence of any major debt funded capex plan and moderate accretion to reserves.

Weaknesses

- **Working capital intensive nature of operations**

RPLPL's operations are moderately working capital intensive in nature as reflected by its gross current asset (GCA) days of around 151 days as on March 31, 2019. The company maintains an inventory of around 56 days. On the other hand, the company gets a credit period of around 85 days from its suppliers, leading to moderate reliance on working capital limits. Further, it allows a credit period of around 100 to 105 days to its customers. RPLPL's working capital limits over the last six month period ending November 2019 was utilized at an average of 84.01 per cent. Acuite expects the working capital requirements of RPLPL to remain moderately intensive on account of the high credit period offered to its customers.

- **Presence in a highly competitive industry and exposure to changes in government regulations**

Mining industry is highly competitive and cyclical in nature characterized by demand for coal which depends on the economic activity in the country. In addition to this, the industry consists of numerous small and unorganized as well as large players which makes the mining business highly competitive. Further, the mining industry is exposed to the risk of any adverse changes in government regulations and policies.

Rating Sensitivity

- Further decline in profitability levels thereby impacting group's debt coverage indicators.
- Improvement in efficiency of working capital operations.

Material Covenants

None

Liquidity: Adequate

The company has adequate liquidity profile marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.17.25 crore during FY2019, against maturing debt obligations of Rs. 5.87 crore. The cash accruals of RPLPL are estimated to remain in the range of Rs. 19.25 crore to Rs. 23.74 crore in FY2020-22 as against repayment obligations of around Rs. 5.00 crore every year during the same period. The current ratio of the company stood at 1.58 times as on March 31, 2019. The average fund based working capital utilization for past six months ended December, 2019 stood at 84.01 per cent. The unencumbered cash and bank balances of RPLPL stood at Rs. 0.16 crore as on March 31, 2019 (PY: 0.61 crore).

Acuité believes that the liquidity profile of the company is likely to remain adequate over the medium term in the absence of any debt funded capex.

Outlook: Stable

Acuité believes that RPLPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or deterioration in working capital leading to higher reliance on external borrowings thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	178.86	126.17
PAT	Rs. Cr.	4.90	4.14
PAT Margin	(%)	2.74	3.28
Total Debt/Tangible Net Worth	Times	1.18	1.71
PBDIT/Interest	Times	3.38	3.16

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

Not Applicable

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/criteria-complexity-levels-55.htm

Rating History (Up to previous 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 BBB-/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/ Stable
Stand-by line of Credit	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE A3
Proposed fund based facilities	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BBB-/ Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Charu Mahajan Analyst - Rating Operations Tel: 011-49731308 charu.mahajan@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

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