

Press Release

RPL Projects Limited

September 02, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.70.00 crore (Enhanced from Rs.30.00 Cr.)
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3 (read as ACUITE A three)**' on the Rs.70.00 crore bank facilities of RPL Projects Limited. The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation considers the comfort drawn on the long track record of operations and stable business risk profile with a comfortable order book position. Coupled with that, the company has moderate financial risk profile, adequate liquidity with moderate bank limit utilization. The rating, however, remains constrained on account of working capital intensive nature of operations and volatile operating margin mainly due to nature of business.

About the Company

Varanasi based, RPL Projects Limited (RPLPL) 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 RPL Projects Limited to arrive at this rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations along with stable business risk profile**

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. Further, RPLPL has booked revenue of Rs. 146.15 crore, year ended as on 31th March, 2021 (Provisional). RPLPL has an unexecuted order book of Rs. 462.81 crore as on 30 June 2021, 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.

- Moderate financial risk profile**

The financial risk profile of the company is moderate marked by moderate net worth, moderately low gearing, moderate debt protection metrics and coverage indicators. The marginal improvement in operating profit margin levels has led to improvement in the debt protection metrics. The net worth of the

company stood at Rs.47.49 Cr as on 31 March, 2021 (Provisional) as against Rs.43.47 Cr as on 31 March, 2020. The improvement is on account of moderate accretion of net profit in the reserves. The gearing level (debt-equity) improved to 1.00 times as on 31 March, 2021 (Provisional) as against 1.41 times as on 31 March, 2020. The total debt of Rs. 47.57 crore as on 31 March 2021 (Provisional) comprises of long-term borrowings of Rs. 21.33 crores, unsecured loans of Rs. 6.18 crores and working capital borrowings of Rs. 20.06 crores. TOL/TNW (Total outside liabilities/Total net worth) has also improved and stands at 1.24 times as on 31 March, 2021 (Provisional) against 2.01 times in previous year. Interest coverage ratio stood at 4.74 times for FY2021 (Provisional) as against 4.01 times for FY2020. The company on the other hand generated cash accruals in the range of Rs.17.57 crore over the same period. Further NCA/TD stood at 0.37 for FY2021 (Provisional) as against 0.30 times for FY2020.

Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term, on account of low gearing and average debt protection metrics.

Weaknesses

- **Working capital intensive operations**

The company has intensive operations marked by Gross Current Assets (GCA) of 132 days in FY2021 (Provisional) as against 120 days in FY2020. The GCA days are majorly dominated by the debtors and other current assets. The debtor days stood at 53 days in FY2021 (Provisional) and 77 days in FY2020. The other current assets mainly consist of security deposits and advances to suppliers. The company maintains an inventory of around 12 days. On the other hand, the company gets a credit period of around 54 days from its suppliers, leading to moderate reliance on working capital limits. The average bank limit utilisation stood at ~45.00 per cent for the last six months ended March, 2021.

Acuite expects the working capital requirements of RPLPL to remain moderately intensive in the medium term.

- **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.

- **Susceptibility to tender-based operations**

Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level.

Rating Sensitivity

- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Stretched working capital cycle and deterioration in liquidity position.
- Any deterioration in Revenue profile and leverage position of the company.
- Any weakening of financial risk profile of the company.

Material Covenants

None

Liquidity position - Adequate

The company has adequate liquidity profile marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.17.45 crore during FY2021 (Provisional), against maturing debt obligations of Rs. 9.68 crore. The cash accruals of RPLPL are estimated to remain in the range of Rs. 17.30 crore to Rs. 19.80 crore in FY2020-22. The current ratio of the company stood at 2.07 times as on March 31, 2021 (Provisional). The average fund based working capital utilization for past six months ended March 2021 (Provisional) stood at 86% per cent. The unencumbered cash and bank balances of RPLPL stood at Rs. 8.01 crore as on March 31, 2021 (Provisional). Acuité believes that the liquidity profile of the company is likely to remain adequate over the medium term on account of adequate net cash accruals and absence of any debt funded capex.

Outlook: Stable

Acuité believes that RPLPL will maintain a 'Stable' outlook over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-

than-expected growth in its revenue and profitability while improving its liquidity position. 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 deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY21 (Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	146.15	167.86
PAT	Rs. Cr.	4.02	4.73
PAT Margin	(%)	2.75	2.82
Total Debt/Tangible Net Worth	Times	1.00	1.41
PBDIT/Interest	Times	4.74	4.01

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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-Mar-2020	Cash Credit	Long Term	4.50	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB-/Stable (Assigned)
	Stand-by line of Credit	Short Term	3.25	ACUITE A3 (Assigned)
	Proposed fund based facilities	Long Term	2.25	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Lenders Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB-/Stable (Reaffirmed)
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable (Reaffirmed)
State Bank of India	Stand-by line of Credit	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE A3 (Reaffirmed)
Not Applicable	Proposed fund based facilities	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BBB-/Stable (Reaffirmed)
State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel:022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Harjas Kaur Manny Analyst - Rating Operations Tel: 022-49294055 harjaskaur.manny@acuite.in	

About Acuité Ratings & Research:

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