



**Press Release**  
**R R ENERGY LIMITED**  
**October 20, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	44.12	ACUITE BBB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	44.12	-	-

**Rating Rationale**

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Acuite has upgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs 44.12 crore bank facilities of R R Energy Limited (RREL). The outlook is '**Stable**'.

**Rationale for upgrade**

The rating was upgraded was driven by long operational track record and experienced management with low offtake risk. The rating takes into account the moderate business risk profile with diverse revenue streams. The rating also draws comfort from a well-established customer base with low off-take risk in the power sector. Although the company's FY2023 performance decrease from Rs. 94.45 Cr in FY2022 to Rs. 65.87 Cr due to shut down in bio-mass power plant operations for maintenance works. Presently, the company achieved a turnover of approximately Rs. 45.00 Cr by September 30, 2023 with bio- mass power generation contributing to Rs. 39.00 Cr and coal trading accounting for Rs. 6.00 Cr. The rating also factors slight moderation in profitability margins which decreased to 8.72% in FY2023 from 8.89% in FY2022. Furthermore, the Company has a healthy financial risk profile characterized by a healthy adjusted net worth, comfortable gearing levels and strong debt protection metrics. The liquidity position of the company remains adequate with steady cash accruals against matured debt obligations and absence of debt funded capex plans. However, these strengths are partially offset by the company's operationally intensive working capital nature.

**About the Company**

Established in 2004, R R Energy Limited (RREL), a company headquartered in Chhattisgarh, is involved in the production of biomass based power. Until FY2021, the Company was also engaged in manufacturing ferro alloys but it has divested the same in FY2022 and is not engaged in that line of business. The biomass power plant has a total capacity of 15MegaWatt (MW), and RREL holds a 20-year power purchase agreement (PPA) with Chhattisgarh State Power Distribution Company Limited (CSPDCL) for the sale of 13MW power, effective from March 2016. The management has introduced opportunistic coal trading business. Currently led by Mr. Rajendra Kumar Agrawal, Mr. Amar Agrawal, Mr. Subhash Chander Singhal, Mr. Naresh Garg, Mr. Vijay Kumar Garg, and Mr. Prabhu Nath Pandit, the key promoters have an industry experience of 16 years.

**Standalone (Unsupported) Rating**

None

**Analytical Approach**

Acuité has taken a standalone view of the business and financial risk profile of RREL to arrive at the rating.

## Key Rating Drivers

### Strengths

- **Long operational track record and experienced management with low offtake risk**

Incorporated in 2004, RREL, a Chhattisgarh based company, is engaged in generation of biomass power. Currently, the company is headed by Mr. Rajendra Kumar Agrawal, Mr. Amar Agrawal, Mr. Subhash Chander Singhal, Mr. Naresh Garg, Mr. Vijay Kumar Garg and Mr. Prabhu Nath Pandit. The key promoters of the company have been in the industry for 16 years. The total capacity of the bio mass based power plant is 15MW and RREL has a power purchase agreement (PPA) with Chhattisgarh State Power Distribution Company Limited (CSPDCL) for 20 years (from March 2016) for sale of 13MW power. This reduces the off-take risk of the Company. Additionally, the management started opportunistic coal trading operations since FY2022.

- **Moderate scale of operations albeit a decline in margin**

The company's FY2023 performance was impacted by a shut-down during two-month for plant maintenance (August-September 2022), leading to a revenue decrease from Rs. 94.45 Cr in FY2022 to Rs. 65.87 Cr in FY2023. Presently, the company achieved a turnover of approximately Rs. 45.00 Cr by September 30, 2023, with bio- mass power contributing about Rs. 39.00 Cr and coal trading business of about Rs. 6.00 Cr.

Further, the operating profit dipped marginally to 8.72% in FY2023 from 8.89% in FY2022. Additionally, the PAT margin declined to 3.13% compared to 4.09% in FY2022. Acuité believes the profitability margin of the company will remain at similar levels over the medium term.

- **Healthy financial risk profile**

The company's financial risk profile is marked by healthy adjusted net worth, comfortable gearing and strong debt protection metrics. The adjusted tangible networth of the company stood at Rs.77.93 Cr as on March 31, 2023 from Rs.74.28 Cr as on March 31, 2022 due to accretion of reserves. Acuité has considered unsecured loans of Rs.19.77 Cr as on March 31, 2023, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term and the same is subordinated to bank loans. The adjusted gearing of the company stood moderate at 0.20 times as on March 31, 2023. The adjusted Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.59 times as on March 31, 2023. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 3.91 times as on March 31, 2023 and Debt Service Coverage Ratio at 3.26 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.23 times as on March 31, 2023.

Acuité believes that going forward the financial risk profile of the company will remain healthy over the medium term.

### Weaknesses

- **Working capital intensive nature of operation**

The working capital management of the company is intensive marked by improving high Gross Current Assets (GCA) of 383 days in 31<sup>st</sup> March 2023 as compared to 247 days in 31<sup>st</sup> March 2022. The GCA days is high primarily on account of high receivables. The debtors stood at 148 days in FY2023 compared to 94 days in FY2022. The inventory holding stood at 62 days in 31<sup>st</sup> March 2023 as compared to 38 days in 31<sup>st</sup> March 2022. Further, the GCA days of the company has also emanates from the other current asset, which mainly consists of loans and advances to the tune of Rs.24.11 Cr and other loans advances to the tune of Rs.8.05 Cr. The fund based limit remained utilized at ~85.46 per cent over the six months ended August, 2023. Against this, the company has dependence on its suppliers and other creditors to support its

working capital; creditors stood high at 37 days as on March 31, 2023 as against 2 days as on March 31, 2022. Acuité believes that the working capital operations of the company will remain at similar levels as evident from elongation in the receivable period, which will remain a key monitorable.

### **Rating Sensitivities**

- Sustenance in turnover growth along with improvement in profit margins
- Any debt funded capex plans
- Further elongation of working capital cycle

### **All Covenants**

None

### **Liquidity Position Adequate**

The company's liquidity is adequate marked by low but steady net cash accruals of Rs.3.61 Cr as on March 31, 2023 as against long term debt repayment of Rs.1.47 Cr over the same period. The current ratio stood comfortable at 3.37 times as on March 31, 2023. The fund based limit remained utilized at ~85.46 per cent over the six months ended August, 2023. Moreover, working capital management of the company is intensive marked by high Gross Current Assets (GCA) of 383 days in 31st March 2023 as compared to 247 days in 31st March 2022. Acuité believes that the company will continue to maintain adequate liquidity position owing to steady accruals and absence of debt funded capex plans.

### **Outlook: Stable**

Acuité believes that the outlook on RREL will remain 'Stable' over the medium term on account of the long track record of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue with improvement in profit margin or improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile due to fall in margins leading to deterioration of debt protection metrics or weakening of liquidity profile due to further elongation in its working capital cycle.

### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	65.87	94.45
PAT	Rs. Cr.	2.06	3.86
PAT Margin	(%)	3.13	4.09
Total Debt/Tangible Net Worth	Times	0.20	0.23
PBDIT/Interest	Times	3.91	4.22

### 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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jul 2023	Term Loan	Long Term	4.38	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	14.08	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	0.12	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	16.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	0.54	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	2.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	3.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
05 May 2022	Proposed Cash Credit	Long Term	14.08	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Cash Credit	Long Term	3.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	16.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Cash Credit	Long Term	0.12	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	4.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	4.38	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Cash Credit	Long Term	0.54	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
11 Jan 2021	Working Capital Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.10	ACUITE A3 (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	5.02	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A3 (Assigned)
	Working Capital Term Loan	Long Term	2.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	29.12	ACUITE BBB   Stable   Upgraded

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:dipti.choudhary@acuite.in">dipti.choudhary@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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